

**SECOND DAY**

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**Tuesday 25 November 2014**

**DRAFT HANSARD**

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**Subject:**

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## SECOND DAY

**Tuesday 25 November 2014**

The Speaker (**Mr Theo Zurenuoc**) took the Chair at 10 a.m..

There being no quorum present, Mr Speaker stated that he would resume the Chair after the ringing of the bells.

Sitting suspended.

The Speaker again took the Chair at 10.30 a.m., and invited the Member for Abau and Minister for Public Service, **Honourable Sir Puka Temu** to say Prayers:

‘Aita guriguri, Gau iboudiai ikaradia Diravana e, oi na tanobada idoinai lohianai bona ina tano lohiana dan. Emai tano, emai taunimanima, emai parliament na oi emu. Ai emai parliament memba mai iboumaiai ba durumai, bena emai gaukara baia karaia mai momokanimai bona mai maoromaoro mai ida. Emai ura hereana be, emai taunimanima iboudiai edia namo baia laloda bada. Hari dinai, emai lalohadai ba hakaudia bona emai gwauisi ba hanamodia, bena oiemu lalohadai hereadaena ai emai lalokau tanona enai anidia do bae vara ai imamai ai. Amen.’

### **BROADCASTING OF PARLIAMENTARY PROCEEDINGS – STATEMENT BY THE SPEAKER**

**Mr SPEAKER** – Honourable Members, I have to inform Parliament that the Permanent Parliamentary Committee on Broadcasting of Parliamentary Proceedings met and resolved that *EMTV* will be allowed to film the Budget Reply by the Opposition spokesman on Treasury at 2 p.m. for news purposes only.

## CERTIFICATION OF ACTS

**Mr SPEAKER** – Honourable Members, I have to inform Parliament that I have in accordance with *Section 110* of the *Constitution* certified the following 13 *Acts* made by the National Parliament:

- (1) *Correctional Service (Amendment) Act 2014;*
- (2) *Criminal Code (Amendment) Act 2014;*
- (3) *Customs (Amendment) Act 2014;*
- (4) *Higher Education (General Provisions) Act 2014;*
- (5) *Income Tax (Amendment) Act 2014;*
- (6) *Lukautim Pikinini (Child) (Amendment) Act 2014;*
- (7) *National Youth Development Authority Act 2014;*
- (8) *Papua New Customs Service Act 2014;*
- (9) *Public Private Partnership Act 2014;*
- (10) *Regulatory Statutory Authorities (Appointment to Certain Offices) (Consequential Amendment) Act 2013;*
- (11) *Small and Medium Enterprises Corporation Act 2014;*
- (12) *Village Courts (Amendment) Act 2014;* and
- (13) *Western Pacific University Act 2014.*

## DEATH OF FORMER MEMBER (Mr JOHN KOIGIRI) – STATEMENT BY THE SPEAKER

**Mr SPEAKER** – Honourable Members, I have to inform the Parliament of the death on 9 November 2014, of Mr John Koigiri, a former Member for the Obura-Wonenara Open Electorate in the 7<sup>th</sup> National Parliament from 2002 to 2007. He was a member of the Constitutional Laws and Acts and Subordinate Legislation Committee and Culture and Tourism Committee between 2002 and 2007.

As a mark of respect to the memory of the late honourable gentleman, I invite all honourable Members to rise in their places.

*All honourable Members stood in their places as a mark of respect to the late gentleman.*

**Mr SPEAKER** – I Thank the Parliament.

## **PETITION**

### **ATS Settlement - East of Jacksons Airport, NCD**

Mr Sam Basil presented a petition concerning various citizens residing at Oro – ATS Settlement, East of Jacksons Airport, National Capital District.

The petitioners humbly pray that the Government consider granting titles to this portion of the land.

Motion (by **Mr James Marape**) agreed to-

That in accordance with *Section 128, subsection (c)*, the petition be referred to the Parliamentary Referral Committee on Lands and Environment.

**02/02**

## **QUESTIONS**

**Mr SASINDRAN MUTHUVEL** – I direct my question to the Treasurer and I would like the Minister for Planning and Finance to take note. I would like to seek clarification on the Treasurer regarding the Amendment made during the presentation of the 2013 Budget in 2012 by the former Treasurer.

Amendments were made to the Inter-Government Relations Act 2009 which effectively prevented any provincial government to collect any form of tax; which totally contradicts the Organic Law on Provincial and Local Level Governments, which allows the provincial governments to generate its own tax revenue.

We received a letter from IRC stating that we will be disqualified to receive any kind of the 60 per cent component of the GST, if we continue to collect any form of tax on beer and cigarettes; which we used to collect in 2012.

Mr Speaker, I just want to seek clarification and whether the honourable Member would be able to repeal that Inter-Government Relations Act 2009 to allow the provincial governments to collect some form of internal revenue and be strengthened in terms of its revenue collection. Right now we have poor revenue base in the provinces. This will greatly support the provinces' recurrent and sectoral expenses.

**Mr PATRICK PRUAITCH** – I want to thank the Honourable Governor of West New Britain for his question in relation to the tax that provincial governments would like to collect.

Mr Speaker, I would respectfully ask the Governor to put that question in writing so that I can thoroughly deal with that and take the opportunity to inform all Governors with that particular question.

**Mr PHILIP UNDIALU** – My question is directed to the Minister for Correctional Services. Recently in the papers we read that some parts of Komo-Magarima and Tari-Pori have been declared as fighting zones. As of yesterday the war lords have been arrested and some guns have been surrendered.

Can the Minister send in a team of officers to operate the facilities there. We already have a magistrate and recently a judge has been added to the judicial services of the province so that we will be fully operational. So that when such people are arrested the due process of the law takes place so that we have these people locked up and be dealt with.

**Mr JIM SIMATAB** – Thank you, Member for your question. Such problems accompany big developments such as those experienced in Komo-Magarima and I want to clarify here that my department is in the process of sending correctional officers to the province. There is accommodation available and we already have a long serving commander based there as well as an officer. While there is accommodation many of these are being occupied by land owners.

**03/02**

Three weeks ago we issued instructions to the Department to send ten officers to go up. Five more officers followed were also sent from Madang.

I think you can liaise with the Minister for Finance. We have prepared the correspondence and have held discussions and we are now asking the leaders if they can assist us to move out the people who are living in those houses so that we can allow our officers to move in and open our Court House and the facilities that the Court will need to address the people who need to be dealt with by the Court.

So the Member for Komo and the Leaders of Hela must discuss this issue and support the department because we are on the ground and we need your assistance and support to resolve this problem in order for us to set up the center for law and order problems to be dealt with accordingly. Thank you.

**Mr SAM BASIL** – Thank you, Mr Speaker. My question is directed to the Minister for Communication. My question is in relation to the operations of Radio Morobe in Lae city. Radio Morobe is a very vital government broadcasting agency that operates in Morobe and broadcasts throughout the districts in Morobe.

Mr Speaker, through you to the Minister, my district has been supporting the operations of Radio Morobe for quite some time now.

The last time I walked into the Station, it was a wreck and to have such a Station to be operating in a big city, the second city of Papua New Guinea, it doesn't seem right.

I went to the bottom of the problem and I found out that the Impress Account for Radio Morobe has been closed and transferred back to Port Moresby, therefore they cannot raise their own advertising funds.

Mr Speaker, I would like to ask the Minister if he can give special privileges to the operations of Radio Morobe. It is a big province and it is a big Station that operates independently during off times.

Can the Minister allow Radio Morobe administration to open up the Impress Account so that they can raise funds through advertising and fund them because the National Broadcasting Cooperation of Port Moresby cannot look after them.

I have every right to ask because I was supporting that Station for a while. Thank you.

**Mr JIM MIRINGTORO** – Thank you Mr Speaker, I thank the Deputy Opposition Leader for this good question which he has asked.

There is something that I would like to point out; many of these radio stations were built during the colonial days and most have close down, basically because there are no funds to sustain them.

One thing I would like to highlight to the Member is that according to the 1996 reform, all radio stations will get support from the provincial governments, however, many provincial governments are forgetting to support the radio stations and that is why most of them have deteriorated.

Today, some good classical examples of the provincial government supporting their radio stations are East New Britain and West New Britain Provinces, their provincial governments have taken initiatives to support their Radio Stations.

I would like to make an appeal to the Member that I will ask the managing director and the management to look at this seriously and also include what the Member just said to fall in accordance with the reform to support the radio station in the provinces. Thank you, Mr Speaker.

**04/02**

### **Supplementary Question**

**Mr HAVILA KAVO** – We made a partnership funding for Kerema radio last year and the Minister promised to make some commitments as well as provide a vehicle. Up until today the Department has not fulfilled that commitment.

Can the Minister clarify the status of that commitment?

**Mr JIM MINRINGTORO** – Thank you, Mr Speaker, and I thank the Governor of Gulf for his question.

I did make a commitment when I visited Kerema. At that time, the radio station was run-down. There was no good equipment to revitalise the services to disseminate information.

Mr Speaker, I have to honour that commitment of K200 000 so I have to source that funding but I have already bought the vehicle as promised which will be presented to them when I next visit the Province.

**Mr POWES PARKOP** – I direct my questions to the Minister for Foreign Affairs. My questions are in relation to the front-page newspaper report on Monday regarding deportation of the three missionaries.

Mr Speaker, I do not represent the missionaries of our country nor foreigners. They do not have any representation on this Floor of Parliament and, therefore, I am taking it upon myself to ask these questions. But these questions are also relevant to the Minister because they are from his electorate.

Mr Speaker, missionaries have served our countries very well. Many of us in this Parliament have benefited from the services provided by the churches and, therefore, making a decision to deport three missionaries is something that we should pause and consider whether it has merits or not.

My questions are:

(1) On what merit grounds or basis was an order made to deport the three missionaries?

(2) Are there conflicts of interest on the part of the Minister because these missionaries are serving in his electorate because I believe he belongs to the Lutheran Church?

(3) Is the Minister allowing himself to be involved in the politics of the Lutheran Church?

The public needs to know because the Minister might be abusing his powers.

Mr Speaker, other missionaries in the country need to have the comfort that decisions are based on merits.

**Mr RIMBINK PATO** – Thank you Governor of NCD for asking those three very important questions.

I think the issue and the circumstances as we have seen in the last few days have not been properly canvassed in the media so it gives me a good opportunity to explain fully why the government has acted appropriately in situations like this.

The position of the Government is that any foreigner whether they are missionaries, volunteers or NGO workers or people on contract are overall guests of our people and guest of the Government.

This is not to say that they have no right and that the Government will unnecessary act in a manner which is inconsistent or inhumanly. The Governor of NCD is a clear advocate of



the rights of many people, particularly NGOs, missionaries and vulnerable citizens but most of the times such allegations come about and our systems fail to act.

**05/02**

As you will recall there is a case in point concerning a missionary who has lived here for a long time, a certain priest called Father Roger Mount who has served in the Sogeri area. He was the subject of so many charges and yet nobody took action because there was no process by which he could be brought to account.

So what I intend to do, as a way of answering this question, in the future is to review the Migration Act and the regulations that determine, and I will come to explain why this is necessary in this particular case, that when NGOs, missionaries or volunteers come to this country they must be made to account, they must be seen to act responsibly and consistently with the terms and conditions under which they are permitted to come into our country.

In this particular situation the missionaries or volunteers, so-called because the facts are different, they are not missionaries, nor are they volunteers in the sense that they came under some contract set up in the US. And nobody knows, nobody knows in the district and in the church exactly what they are doing. They have been channeling funds through that entity in the US to conduct activities, not necessarily consistent with the ideals of our country, and our principles that are, consistent with the law and the church.

If you are a missionary, the position is that if you come to work for a church then you must be sanctioned, your entry into the country must be approved by the parent church abroad as well as the church within the country. No such relationship exists in this particular case.

So there were serious complaints received by the Papua New Guinea Immigration and Citizenship Services Authority. Long before I was elected to the Parliament there was a decision made to have them removed on the basis that no one knew the nature and extent of work in which they were involved and the kind of funding that they were receiving from the US to do missionary, volunteer or other NGO type work.

So when the matter came to me, as is required under the Act, to make a decision I brought the Chief Migration Officer and explained to him; look, let's look at the situation carefully to make sure because missionaries, volunteers and NGOs have been doing tremendous work in this country. And they have reached to areas where we as a government are unable to reach our people.

So, I don't want to be acting in a manner which is inconsistent with the good work so many of these people do. So, I said wait. I will not issue the removal orders, let's wait and find out. And in fact I asked those people to come and meet with me and I said, look, if you are doing some work for the district and the province, tell me what you are doing.

The days of the past where the Members, districts and provincial governments were lacking in resources and did not have the finances to address education, health, infrastructure and social needs of the people are gone. This is a government which is spending so much money into the rural areas. So if I can provide for your group K1 million or K2 million and because capacity is an issue here, can you account for this money? Can you align your activities to what we are trying to do in this electorate?

And they never came back and they responded by emails only with a document where they said the people of Wapenamanda, the people of Enga and the people of Papua New Guinea need to change their mindsets. That means that we don't act properly, we don't act in accordance with ideals, we don't act in accordance with the law or we have a problem as a nation, as citizens.

How can foreigners come and tell us that you don't act according to ideals and principles? Our Constitution says that we have principles, customs and cultures which go back to time immemorial.

*(Members interjecting!)*

**Mr RIMBINK PATO** – Well, I'm answering a question in relation to this particular matter. And you can ask that question and I'll answer it later.

**06/02**

**Mr SPEAKER** – Honourable Minister, address the Chair.

**Mr RIMBINK PATO** – Thank you, Mr Speaker.

Overall, we need to bring these people to account, they are guests in this country and we need to make sure that they are doing the right thing. Therefore, there is a progressive review underway, which I will table in the first part of next year which will seek to impose terms and conditions of entry into this country.

The Minister under the *Act* has wide powers and these powers, as in this case will not be just acted upon without any proper basis. Therefore, the answer to the question is that, I have no conflicts of interest as I have explained because I have tried to make them to work for the community but they are acting in secrecy and the full particulars, which nobody knows, that I have asked of them, they cannot provide it and the church does not have it because the church did not invite them.

So, they are not on contract with the church. On what basis are these people or in any case and any other person in that kind of category doing work in the country. It is either they work with us and work in accordance with our principles or they would be in breach of Section (5) and (6) of the *Migration Act*. This Act empowers the Minister to act in certain circumstances, which I have done so in this case. However, it is unfortunate that this action has to come about in the manner that it has, but they have been given a chance and they are acting in breach of the legislation, government policy, and not acting in the interest of the people and they have been given the opportunity to crack themselves.

Mr Speaker, therefore, I presume that I have answered the Governor's questions and in the future I will bring a detailed statement to Parliament. The Statement will deal with how we can take control and regulate the activities of so many of those kinds of people, particularly, as Parliament can recall. The Minister for Environment and Conservation and Climate Change has always been complaining about diversion of funding coming from so many donor agencies and NGOs from around the world. And yet, those monies are not brought to account and he does not know what is happening.

These are the kinds of things that I have in mind, so let us make this a case in point. Let us then start from here and bring about a review and protect the country, people and *Constitution*.

Thank you, Mr Speaker.

**Mr JOE KOIM KOMUN** – Thank you, Mr Speaker.

I only have three questions which I would like to direct to the Prime Minister. My questions are in regards to pokers machines in the country.

(1) Can the *Gaming Act* be reviewed so that we can have some control over the poker machine industry in this country? This is because a lot of our people are gambling on poker machines and spending their family money resulting in a lot of social upheavals.

(2) Can we review the number of poker machines in pokies places and the payout amount so that it discourages a lot of people?

It's okay for people who have a lot of money but there are so many family people who are spending their hard earned money on poker machines and end up being broke resulting in social problems.

**Mr BELDEN NAMAHA** – Especially at Paddy's Bar.

**Mr JOE KOIM KOMUN** – You can make that comment, Leader of Opposition, but my questions and point is that:

(3) How can we control the huge number of people going and playing poker machines?

Therefore, I would like to ask the Prime Minister if we could review some of these things so that we discourage our people from going and playing poker machines with their hard earned money.

**Mr PETER O'NEILL** – I would like to thank the Honourable Member for Anglimp-South Wahgi for his questions. I would also like to thank the Honourable Opposition Leader for his interjections.

*(Laughter in the Chamber)*

**Mr PETER O'NEILL** – Unlike him, not a lot of us can go to Crowne Casino, Mr Speaker.

*(Laughter in the Chamber)*

**07/02**

**Mr PETER O'NEILL** – Mr Speaker, this matter was established well before this Government came to Office. Yes, we are trying to reduce the number of gaming machines that are out there. In fact, there were three operators who were given the license to distribute the gaming machines all throughout the country. As a result, we have over four thousand gaming machines in various licensed locations in the country.

Mr Speaker, the biggest concern is that many of the machines which are in the shops and street fronts are alarming. This was supposed to be for hotels and clubs with sporting interest but unfortunately we have allowed these machines to be distributed at any pace and you find them in front of shops triggering direct access to customers off the streets which is a huge concern. That is why we are now encouraging the Gaming Board to be the only operator in the country, which will mean that when operators' licenses expire, it will not be renewed. The Gaming Board will start removing all licenses in undesirable places throughout the country to restrict the number of gaming machines in the country.

Mr Speaker, I have made a commitment that as long as this Government is in Office, we will not authorize a Casino License.

I know that the Opposition Leader and some other Members are very interested in Casino licenses but it will not happen under our watch because gambling happens everywhere in the world but –

**Mr Belden Namah** – Point of Order! Mr Speaker, the Prime Minister continues to tell lies and mislead this Parliament. He is a pathological liar and fraudster.

*(Members Interjecting)*

**Mr SPEAKER** – Order! The Chair will ask the Leader of the Opposition to withdraw those unparliamentary language which are very degrading.

**Mr Belden Namah** – I am not going to apologise and withdraw my sentiments. The Prime Minister continues to tell lies to the people of this country.

**Mr SPEAKER** – I will ask the Opposition leader to respect the rule of the Chair.

**Mr Belden Namah** – Well, tell your Prime Minister to stop telling lies on the Floor of this Parliament.

**Mr SPEAKER** – Leader of the Opposition, resume your seat. Your Point of Order is out of Order.

Prime Minister, please continue with your response to the question.

**Mr PETER O'NEILL** – Mr Speaker, really it goes to show the kind of mindset of the Opposition Leader. It is very childish indeed. His brain will remain in that childish behaviour section for a very long time.

*(Laughter in the Chamber)*

**Mr PETER O'NEILL** – Mr Speaker, he has no respect for the Chair or anybody and he continues to be a nuisance to everyone.

Mr Speaker, let me say this very clearly that there will be no Casino license in this country as long as this Government is in power.

This Government will continue to reduce the number of gaming machines in this country until such time we can make sure we have control over the gambling habits of our people.

**Mr MARK MAIPAKAI** – Mr Speaker, I direct my question to the Minister for Correctional Services.

I was doing a bit of calculation and came up with two provinces in the country which do not have CIS establishment. They are Gulf Province and the Central Province.

My people want to come and see inmates but unfortunately it is not possible. All Central and Gulf people are locked up in Bomana. The last jail in Kerema was in 1971 when I was a student 40 years ago.

Can the Minister inform this Parliament when he intends to set up two CIS Establishments in Gulf and Central Province respectively?

**Mr JIM SIMITAB** – I thank the Member for Kikori for his direct question.

Mr Speaker, I have tabled a Cabinet submission to kick start CIS establishments and one of them is located in Kerema.

**08/02**

All prisoners are sent to Bomana to serve their sentences and over the years there has been no initiative from the leaders of Gulf province to establish a jail in their province.

Mr Speaker, in Central province, they have set up a jail in Abau but work has not been completed and we are awaiting funds to complete it so that the prisoners from Central and Gulf can all be sent there. The Government through the Prime Minister has expressed their interest in this issue. I want to thank the Prime Minister because during the South Pacific Women's Conference many leaders in the Pacific were grateful that the Government supports the work of CIS.

**Mr Mark Maipakai** – Point of Order! Mr Speaker, I don't want the Minister to brag on this issue. Can the Minister tell the people of Gulf when exactly a prison facility will be established? Our Province owns two very important State Assets; the gas and oil pipeline. What more economic contribution is expected from Gulf?

**Mr SPEAKER** – Order! Resume your seat, your point of order is noted. Can the Minister answer the question?

**Mr JIM SIMATAB** – Thank you Mr Speaker, I want to thank the Member for his question. Again, I want to advise the Member that he has been in this Government for a long time and many of the leaders who have jails in their provinces have given their personal and provincial support and there is no reason why Gulf Province cannot be in the same phase with them. I ask the Member and the Governor and all the leaders of Gulf province to come together and consult us so we can set up a jail. The Government already has a plan to build a jail in Kerema so it will be constructed but, I will need your support and the provincial support so that we can reactivate the jail that has been there for the last forty years.

**Mr GARRY JUFFA** – Thank you, Mr Speaker, for recognising the people of Oro. My questions are directed to the Minister for Development.

Recently, there was a minor political upheaval where some ill-conceived, ill-advised person tried to overthrow a provincially elected government. They broke the Assembly gate and the Assembly door; a crime which has not been dealt by the Police yet. The Minister came out publically denying her involvement in that upheaval but I have in my possession documents showing that the Minister has accommodated four Council Presidents of Oro Province at Grand Papua Hotel at the cost of K17 000.

*(Members interjecting)*

**Mr GARRY JUFFA** – Shut up! Shut your mouth. I am asking the question.

**Mr SPEAKER** – Honourable Governor, please address the Chair and be mindful of your language

**Mr GARRY JUFFA** – Yes, Mr Speaker, I am addressing the Chair but there are some insects interjecting my question.

*(Laughter in the Chamber)*

**Mr GARRY JUFFA** – If there is a problem, let's sort it outside.

**09/02**

**Mr James Marape** – Point of Order! Mr Speaker, *Standing Orders Section 141* clearly states that any member asking a question is not allowed to mention any offensive words to another members.

**Mr SPEAKER** – Your Point of Order is in order and I want the Governor to withdraw the offensive words that he mentioned.

**Mr GARRY JUFFA** – I thank the Leader of Government Business for reminding me, and I withdraw the comments that I made and I forgive my brother on that side.

My questions are:

- (1) Why spending public funds of K17 000 on this activity?
- (2) What's the purpose of the meeting?
- (3) Where are the Minutes of the Meeting?
- (4) What's the outcome of this Meeting?
- (5) Why did the Minister fund the Southern Command Police contingency to Oro Province?
- (6) Can the Minister explain to this Parliament because it was widely published in the media that the Minister was never involved in it?



But the information we have shows that she is involved in this situation.

**Ms DELLILAH GORE** – Mr Speaker, I thank the Governor of Oro for his questions, which shows that we haven't learnt to solve our own in-house problem back in the province. I also want to thank him for criticising me in the media on the same issue but I want to tell the Governor that my department is not involved. Payment was made but it was for the youths in my electorate and not for the politicians from Oro.

**Mr Garry Juffa** – Point of Order! These are not youths; they are council presidents above the age of 40.

*(Laughter in the Chamber)*

**Mr SPEAKER** – Allow the Minister to answer the questions. Well, you are right, some are very hard to classify as youths.

*(Laughter in the Chamber)*

**Ms DELLILAH GORE** – Mr Speaker, payments were made for youths that completed grades 8 and 12 to attend training with NDB and I have instructed my secretary to cater for these eight youths.

I have not used any funds from the Department of Community Development, Religion and Family Affairs for Oro politicians to play that game that they are now playing.

**Mr SPEAKER** – If you have any questions then sort it out in court. I will not allow the Parliament to dwell into your internal affairs.

**Mr PETER ISOAIMO** – I direct my questions to the Minister for Works and Implementation.

As we all know, road network and infrastructure in this country is the lifeline of all the citizens of this country.

My concern here now is about the Hiritano Highway, which serves both Central and Gulf Province.

(1) Why is it taking too long to fix 28 kilometres of road from the border of National Capital District at Laloki to Veimauri?

All the other sections of the road have been sealed as far as Kairuku District Station in Bereina.

But it's only that portion of the road that is delayed. So many contractors have been engaged to fix that same portion of the road but nothing good has been done about it and the problem is still there.

Some of you are my brothers in-law and at times when you drive up this highway you would have noticed it yourself. It's only that portion of the road that needs to be fixed

**10/02**

This is one of the national highways, therefore my questions are;

(1) Can get a good contractor to fix these sections of the road?

I have been advised by the Minister for Treasury that IMF had approved construction of the Angabanga Bridge.

(2) Why is it taking so long? I am worried because the old bridge is useless and is going to fall any minute.

The road leading off from the Bereina turn-off towards Veifa'a Hospital in West Mekeo in the Mekeo/Kuni LLG is a national highway close to K7.5 million was earmarked for this road last year and K3 million was given to a contractor to begin work and up to this day the road is still the same. My Governor and I are ready to connect this road to West Mekeo but this national road is an obstacle to our plans.

It is not good for us to fix the road at the back when the front is still in a poor state.

(3) Can the Minister clarify on the areas that I have raised for the benefit of the people of Kairuku-Hiri and Papua New Guinea?

**Mr FRANCIS AWESA** – I want to thank the Honourable Member for Kairuku-Hiri for his questions regarding the road infrastructure in his electorate.

First of all I want to advise and inform him that I will give a detailed answer in writing to him but to summarize I will say that I was not aware of the remaining 28 kilometres of the Hiritano Highway which still needs to be sealed. This is a very important road link that connects our people of Kairuku-Hiri and Gulf province.

I want to say that as of next year this sections of the highway will be prioritized and that is the Veimauro section. The Anagabanga Bridge is an important bridge; about 100 meters long. It has been left to deteriorate over the last few years and this is mostly due to natural causes but the neglect of the authorities will soon see it become useless.

Under the ADB bridge replacement program we are spending over K80 million on bridges alone along the Hiritano Highway. And it is one of the bridges that will be given priority to replace. I expect Cabinet to decide and deliberate on that this week and work should start as soon as the contract is signed. This will be costly because it will be constructed with concrete and this goes to the other five bridges along the highway.

As for the road from Bereina junction to Veifa'a village, I am not aware of the contractor that was paid K3 million of the K7.5 million allocated last year and where the rest of the money go.

**11/02**

I want to assure Parliament and the honourable Member that I will check it and give a detailed answer in writing because I am also concerned that the Contract was being awarded but the jobs are partially done.

I think it is becoming a problem in some areas and I am equally concerned and I would like to advise the honourable member also in writing. Thank you, Mr Speaker.

**Mr WERA MORI** – Thank you, Mr Speaker. On numerous occasions I raised on this floor of this honourable house on a need for urgent attention of the by-pass road of the Daulo Pass.

Many times we are having landslides affecting our roads because of weather pattern by global warming, it was only three weeks ago that there was a major closure of the Daulo Pass.

Having read through Volume 3 of the Budget I cannot see any money allocated, despite the fact that I have raised this issue so many times. I would like to ask a question to the Minister of Works, that when can we have this by-pass?

**Mr FRANCIS AWESA** – Thank you, Mr Speaker and I thank the Honourable Member for Chuave, Honourable Wera Mori for this important question. All sections of the

Highlands Highway are all 700 kilometers of the highway is in critical need of urgent maintenance, repair and rehabilitation.

This is an issue that is now before Cabinet we are addressing those problems and in the New Year, I want to advise the Member and all of us that we will be making some seriously decisions in due forth to address that issue with the by-pass in Daulo as well as all parts of the Highlands Highway.

I also want to advise the Member that the Government has not forgotten the importance of that road; it is a very important road network that serves a large number of people in our country as well as major business and investments so, in the New Year there will be some announcements that will take place.

In the meantime, in the Chimbu Province what the Works Department is doing is to maintain the section of the road from Daulo all the way to the border into Jiwaka Province through limestone material that is keeping the road in good condition. Unfortunately, we cannot control nature this is causing problem all over the place and we just have to manage somehow as we go along. Thank you very much for this questions but in summary in answer to the question, we will address this problem seriously in 2015, 2016 and beyond. Thank you, Mr Speaker.

#### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari-Pori-Minister for Finance) I ask leave of the Parliament to move a motion without notice.

Leave granted.

**SUSPENSION OF STANDING ORDERS –  
REARRANGEMENT OF BUSINESS**

Motion (by **James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent Notice Nos. 184, 185 and 186 of Government Business being called on forthwith.

**12/02**

**Sir Michael Somare** – Point of Order! Will there be any budget reply this afternoon?

**Mr SPEAKER** – We will suspend for lunch and when we return we will have the budget reply in the afternoon session. I am still waiting for the Governor- General’s Message.

**DISTRICT DEVELOPMENT AUTHORITY BILL 2014**

**First Reading**

Bill presented by **Mr Peter O’Neill** and read a first time.

**Second Reading**

**Mr PETER O’NEILL** (Ialibu-Pangia – Prime Minister) – I move –

That the Bill be now read a second time.

Mr Speaker, I am pleased to present the District Development Authority Bill 2014. This Bill provides the details of operations of the District Development Authority. However, the decentralized system was intended to bring services closer to our people.

Since Independence there have been many changes to our decentralized system. The reforms in 1995 were intended to strengthen the local level government, establish provincial and district treasuries and make district planning more compulsory.

It was hoped that finally services would be made available to those 85 per cent of the people living in the rural villages throughout the country.

Mr Speaker, regrettably, this did not occur, instead we have seen a gradual decline in the services and infrastructure in the district. Public servants are instead concentrated at provincial headquarters or in Waigani at the national departments.

Mr Speaker, this is not good enough. Our people expect services to be delivered locally and our decentralized system means that majority of services are to be delivered at the district level.

Over the last three years our government has sought to address this by increasing funding to the districts and the provincial governments. Finally, the money is flowing to our people where the services are now being delivered.

The district service improvement grant provided for the first time K10 million per district over the past three years. This must be allocated to health, education, infrastructure and agriculture.

Mr Speaker, despite many critics and some concerns about the management of this funds we are beginning to see the fruits of this funding. New housing is being built for public servants in the district. Most districts now have district treasury which is providing banking services for the first time. Finally, funds are available to the people where it is needed most.

The next step is to create the District Development Authority. The district development authorities displaced the current joint district planning and budget priorities committee. The current JDPBPC has outgrown its usefulness.

## **13/02**

Mr Speaker, there were in fact a late inclusion in the 1995 Reforms where it was just intended as a committee which would oversee and make recommendations on district planning, determine the budget allocations for the Local-Level Government Council and draw up the district development plan.

Mr Speaker, at that time, the only funds that were available were the district support grants of K500 000 per district. As we all know, this will not go far in light of the cost and the responsibilities of delivering service at the district level.

Mr Speaker, in early 2000, things started to change and again more funds were being placed through the district service support grants and of course to the JDPBPC, and this began to take a different role for this committee. The JDPBPC became responsible for significant amounts of money.

Mr Speaker, it is a structure that was just an administrative committee and of course it no longer suited the work responsibilities that were given to this committee.

Mr Speaker, in many cases, this committee started to acquire machinery, assets and entered into contracts under two significant works programs in the districts and there was a great deal of confusion. Many of times, there were great deal of confusion over the ownership of these assets, accountability was very poor and of course this committee needed to be revived so that it reflects the changing role in the functions and the increased funding that was available to them.

Mr Speaker, in February 2014, Parliament passed an amendment to the Organic Law on Province Governments and Local-Level Governments which abolished the JDPBPC and created a new statutory authority which is now called the District Development Authority.

This Bill now provides for a greater detail for the operations of the district authorities. One will be established in each district and it is going to become a legal entity that can be sued, enter into contracts and own assets. It will have a clear ownership of those properties so that it does not become properties for some individuals.

Mr Speaker, the District Development Authority will comply with *Public Finance Management Act* and also show that it is run by reputable and qualified people in each of the districts. Of course, we need to establish small Supplies and Tenders Boards and again, the Minister for Finance will approve that under the establishment of the District Development Authority. This will speed up the tendering process and where possible award contracts to competent local businesses.

Mr Speaker, the membership of the Authority will be the same as the JDPBPC and the open Member will be the chairperson and the local-level government presidents will be members as wells as the three appointed persons by the Chairman.

Mr Speaker, the Authority will expand services and functions as well and it will become implementation arm of the local-level government councils and a system in delivery of their functions and services in the districts.

Mr Speaker, I must emphasise that provincial governments will continue to remain and serve as an important partner and important roles in coordinating the activities of the province and the district.

Mr Speaker, the District Development Authority is not a government; it is a vehicle of service delivery. The Authority is required to act consistently with the provincial government

plans and provincial authorities and district authorities will need to work together in partnership so that they can serve our people better.

Mr Speaker, the important change in this issue is the accountability. The District Development Authority will be far more accountable than the JDPBPC and it will be required to submit a budget to the Treasurer and of course it will be required to submit quality reports to the provincial governments.

**14/02**

Mr Speaker, the district authorities will not be working in secret. It has got stricter rules in relation to fees and allowances for the Members and of course the meetings to be held in public and resolutions to be publicised.

Meetings must be held in the districts and it will no longer be the case where the JDPBPC are paying themselves large allowances and holding meetings outside the relevant districts, Mr Speaker.

Mr Speaker, there were incidences of misappropriation and poor performance.

Mr Speaker, in such cases the National executive Council (NEC) will be able to suspend the board and all these powers will be vested with the Minister for Inter-Government Relations. All that we are trying to see is that, we have the government closer to the people and that service delivery improves at the district level.

Mr Speaker, the majority of our people live in villages throughout the country and the district head quarters are areas where they can get services. And not here in Port Moresby, cities like Lae or Mt Hagen and other major provincial towns in the country.

Our country continues to grow and we must strengthen Public Service Machinery at the district level. We must also return to the original intentions expressed by the Constitutional Planning Committee where we need to bring our government closer to the people and empower our people to make decisions about their own future.

Mr Speaker, the policies of this Government are slowly transforming Papua New Guinea. We are currently having a large number of school aged children enrolling in schools with a significant number of girls attending schools. We are also rolling out more services to the districts and communities throughout the country.

Mr Speaker, we are also seeing a large number of police presence improving in the districts and improving law and order is a priority of this Government.



I would like to say that, a part of this management of District Administration Authority will be to manage the public servants in the districts.

Mr Speaker, we are making amendments to the *Public Service Management Act*, the *Police Act* and all the other relevant Acts. This will give the district administrator or CEO of the districts powers to discipline public servants who are not working in the districts. These are the key functions of the District Development Authority.

Mr Speaker, with that I commend this Bill to Parliament.

*(Sir Michael Somare interjecting)*

**Mr SPEAKER** – Honourable Governor, you will have your chance. The Chair recognises the Governor for Madang, therefore, please resume your seat.

**Mr JIM KAS** (Madang) – Thank you, Mr Speaker.

If the JDPBPC is being abolished then the Joint Provincial Planning and Budget Priorities Committees should (JPPBPC) should also be addressed simultaneously. This is because the Open Members are also members on JPPBPC.

Likewise, in Section (12) relating to the membership of the board Governors should also be members of the board. This is so that we do not double fund the fundings that are done by the districts. We should know what has been funded so that we do not double fund.

This is my main concern that we should include Governors as Ex-officio members on the board as well.

**Mr MICHAEL SOMARE** (East Sepik) – Mr Speaker, I have no objections regarding this legislation. Nevertheless, we have not properly ironed out the finer details regarding joint provincial and local governments. There are still issues outstanding regarding this matter.

I am luck that for the first time I am a Governor but now that we are giving authority to the districts then we might as well abolish the regional systems. I am saying this because it is not relevant.

Mr Speaker, the *Local Government Act* will not work when you have the Governors having the final say on decisions –

**15/02**

Mr Speaker, this piece of legislation will not work when the governors don't have a final say on decision making of PEC's. There will be a conflict of interest between the governors and the Open Members. As governors, we also represent the whole province. This is a good Bill but we should look at the roles of governors as mentioned by the Governor of Madang earlier. If decisions are made from the districts and the governors do not agree to it, what shall we do? Therefore, we must carefully look at these areas. There must be a barrier which should demarcate LLG functions, Joint Provincial functions, district and provincial functions. This must be clearly specified, otherwise we go ahead without looking at it and later complain in Parliament when we have problems.

**Mr SAM BASIL** (Bulolo – Deputy Leader of the Opposition) – Thank you, Mr Speaker. I support this Bill but one thing that I want to remind the 89 Open Members and their electorates of Papua New Guinea is that in my district, my JDP may approve a project but at the end of the day there are mechanisms in place in the provincial audit and in the audit team where they can assess and scrutinize our work.

Mr Speaker, by giving back the power to the Executive Government for the Minister to withdraw our powers, I assure you all that politics will come into play. I have seen Provincial Governments being suspended before; therefore, the 89 Members of Parliament must ask the Prime Minister to withdraw it.

**Mr JOE SUNGI** (Nuku) – Thank you, Mr Speaker.

I once thought that things would speed up in the districts when I was in the province but now that I have become an Open Member, I see a lot of stumbling blocks. We have many remote districts like the islands of Milne Bay and others throughout the country. This Bill is timely and it moves the Government closer to the people, which is the intention of the 1995 reform.

Mr Speaker, we know that over the years instead of the Government getting closer to the people, it has moved further away from the people which is a lot of work for the civil service and a challenge for our public servants. The point is to put the mechanisms in place so that we can properly assess the performance of our civil servants especially the CEO's now that their titles have been changed from district administrators to chief executive officers.

Mr Speaker, making reference to Bire's committee recommendation in the last session of the findings on the Statutory Bodies, it is very good because it also reminds us that we have well over 200 statutory bodies yet most of those statutory bodies have not functioned or basically lack resources or the right people to be manage them.

Whilst commending this Bill, Mr Speaker, there is a lot for us to do in finding the right person to fill those positions so that they can be able to reap the development aspirations of the district and to make sure that they take action and function on their own on the district level.

**16/02**

Mr Speaker, having been in Parliament for the last two and a half years I think the focus at the district to build the capacity of a district at this time and I would like to commend the Prime Minister and Cabinet for the foresight into having this building place, like everything else it is better to do it and along the way you can fix it.

Mr Speaker, I will commend this Bill and I would like to say thank you to the Prime Minister and we all can work together to see that we function and we bring the government to the people. Thank you, Mr Speaker.

**Mr BELDEN NAMAHA** (Vanimo Green) – I am very happy about the District Development Authority Bill but I have a big objection.

*(Laughter in the Chamber)*

**Mr BELDEN NAMAHA** – Drums make a lot of noise when there is no water in them.

Mr Speaker, this part where I want to follow on as Deputy Opposition Leader, where power will go to the Executive Government and will go to the Minister to control the District Authority, I say this because Opposition has experienced with DSIP Funds where the government has decided to stop K10 million allocations to Opposition. Suppressing and intimidating the Members of parliament and forcing them to go into the government, there is no secret about that.

**Mr James Marape** – Point of Order! The government has never in any one time made a policy statement to stop funding from going to Opposition members JDPBC.

**Mr BELDEN NAMAHA** – Mr Speaker, my brother tries to justify himself but Opposition has never had 2013 DSIP funds until early this year and for 2014

**Mr James Marape** – Point of Order! The good Opposition Leader has to be reminded that this year we run on 2014 fiscal, last year his district on record has received K9 million DSIP as of December last year. Mr Speaker.

**Mr BELDEN NAMAHA** – Mr Speaker, I will not withdraw my statement because it is a fact. I never received any funding

**Mr SPEAKER** – Honourable Leader, you have to state facts on the Floor of Parliament, just be careful not to mislead the parliament.

**Mr BELDEN NAMAHA** – Mr Speaker, I am not misleading the parliament. The K10 million was released for 2013.

I cannot receive it in December 2013, the entire year of 2013 has been wasted and I only received K9 million in December 2013.

**Mr SPEAKER** – I think you are diverting from the issue here, honourable member the issue here on the Floor is the Bill on the District Authority, please come back to that point.

**Mr BELDEN NAMAHA** – I am talking about the implications of that particular part of the District Development Authority Bill.

If you are going to vest that power in the Executive Government, now you are in Government and you are laughing, tomorrow you maybe in Opposition you never know. You going to stay till kingdom come?

*(Laughter in the Chamber)*

**Mr BELDEN NAMAHA** – The fact is this, we are being penalized because we are in the Opposition.

In 2014, we are in November and we only received K3 million for 2014, that is the kind of implications

**Mr James Marape** – Point of Order! The Opposition Leader if he cares to go to Vanimo and check his District Treasury Account, he would have noted that his district received more than that K3 million that was put in record.

**Mr BELDEN NAMAHA** – Mr Speaker, when you add salt into the wounds people don't sit down properly, did you know? Because they continue to tell lies.

You are not penalizing me Mr Finance Minister, you are penalizing the people of Vanimo Green and the people of Bulolo, people of Rabaul they are citizens of this country. Therefore that Bill cannot be accepted in the current form unless it is amended. Thank you, Mr Speaker.

**17/02**

**Mr LEO DION** (East New Britain – Deputy Prime Minister and Minister for Inter-Government Relations) – Thank you, Mr Speaker for the interest of the Members of this Parliament for this particular Bill, many think that the position and authority of Government under this Act will be taken away immediately and this is not true. If we seriously look at this Act very closely, it's quite simple.

In fact, it's very supportive of the provincial governments with its machinery and it's working, and the fear that we all know is human nature and politics. But if the Government is managed in a professional manner with its machinery system working and knowledgeable then there shouldn't be any fear in the minds of our people.

I am talking about the special provision that looks after the Authority and local-level government presidents and its leaders, we haven't suspended even though we got the power.

In fact, it's very clear that under the present Constitution, members are given freedom to administer their provincial governments, local-level governments or their Special Authority.

Now let's get it straight and not play politics too much with this. It's a framework that is being designed to assist and facilitate the service delivery of the people. And looking through it as the Minister responsible, I used to have a personal view in relation to that but if you see the Act it's complimentary to each other. After all, the Opposition fears that the

Executive Government will suspend the District Authority but I can assure you that it's not a simple matter to do that. There are rules that they have to follow if they want to do that and after all it will be difficult in order to suspend a particular district authority just for political reason. You got to follow the rules and guidelines and recommendations will be done by the executive arm of the government before a Minister act on this particular issue.

And that's a bit of clarification, thank you, Mr Speaker.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from His Excellency, the Governor-General dated 24 November 2014, was announced recommending the expenditure of public moneys in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such expenditure.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Peter O'Neill**) proposed –

That the Bill be now read a third time.

**Mr POWES PARKOP** (National Capital District) – Thank you, Mr Speaker. All the open Members are ready to vote for the Bill and I don't know why all the governors of each Province are silent about it. During our meeting in Kavieng we all agreed to vote against this particular Bill.

The reason being that; we don't want to have four levels of Government. We already have three levels; the National Government, the Governors and the Local-level Government. Now we are trying to vote for the Authority, which is another level of Government.

**18/02**

You can say it will not take over but in practice it will be another Government. Will the powers be vested on the LLG or on the Authority? This will be one of the questions asked.

(2) When this law is passed, there will be no need for governors. Because most of the money and powers will be vested on you, the governors will be deemed useless. This is one of the issues facing all governors which they have not raised and I am raising it on their behalf.

Funding will be given to you at the district level and you will have the power to hire and fire. What will become of us, should we consider retiring or contest your seats?

(3) We might go back to having 89 provincial governments. As governors, we are responsible for looking after the provinces but once this is passed, it will make you all more powerful and there won't be a need for us anymore. Are we going to break away into smaller districts? These are some of the concerns that I would like to raise on behalf of my fellow governors, I don't know if they are satisfied with what I have raised.

We are satisfied that we are not trying to create another level of government but if we are trying to do that, then there is something wrong. One thing that the Open Members should understand is that previously the Provincial governments were ineffective and were not funding the Open Members but the fact is that the provincial governments since Independence to this day have not been effectively funded in order for them to be able to be delivered on their aspirations and the legal responsibilities.

Only recently, the Government has recognised your importance and is funding your aspirations and you want to gain power and override the provincial governments. Of course you can do better than us but we are trying to run a system. The Prime Minister has convinced everyone that it is not a new government that will undermine the power and authority of the governors. But I am just airing my views as to why the governors passed the resolution in Kavieng to oppose the District Authority Bill.

Motion – That the question be now put – agreed to.

**19/02**

Motion - That the Bill be read now read a third time – put.

The Bill requiring an absolute majority as required by the *Constitution*, the Speaker ordered that the bells be rung.

**20/02**

The Parliament (voted the Speaker, **Mr Theo Zurenuoc** in the Chair) –

**AYES – 66**

**NOES – 18**

The Bill passed with the concurrence of an absolute majority as required by the *Constitution*.

Bill read a third time.

## **DISTRICT AUTHORITY (REPEAL) BILL 2014**

### **First Reading**

Bill presented by **Mr Peter O’Neill** and read a first time.

### **Second Reading**

Leave granted to move the second reading forthwith.

**Mr PETER O’NEILL** (Ialibu-Pangia – Prime Minister) – I move –

That the Bill be now read a second time.



Thank you, Mr Speaker. In 2006 when I was the Leader of the Opposition, we passed the District Authority Bill 2006, with the support of the then government but that particular Act has not commenced.

That is why we need to clean up that particular Act by repealing it and, therefore, Mr Speaker, I am asking this honourable House to do that.

Since 2006, I have done a lot more consultation and of course with the new *Act* now in place for the new District Development Authority, it is a superior Bill and will bring major reforms to the district levels.

I want to stress this again, Mr Speaker, the new Bill that we just passed is not a legislative arm of government. There are three levels of government in the country and that is far too many already.

Mr Speaker, this new Authority we just passed is to bring more services to the districts and not try to be a hindrance to the levels of government. It has no legislative powers to pass any laws whatsoever in that authority.

**21/02**

Mr Speaker, I also want to add that it is not easy to sustain the District Development Authorities. I know there are some concerns that are being raised but we are a responsible government and we will act in a responsible manner. These authorities manage our people, they do not manage our politics.

Mr Speaker, I want to assure you that as long as the funds that are going to the districts continue to be managed in the interest of our people, you can be rest assured that this government will continue to support them.

As our Deputy Prime Minister stated, the process of any suspension, whether it be a provincial government, a local level government or any authority is quite cumbersome. It is not easy to suspend someone because you wake up one morning and think that they should be suspended.

Mr Speaker, there is a process that it will have to go through. I know that the governors are a bit apprehensive about this but tomorrow when they wake up they will realize that the world has not changed. The world has remained the same but it is better and I am certain that we will continue to work together.

Mr Speaker, with that, I commend the District Authority (Repeal) Bill to Parliament.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr PETER O'NEILL**) proposed –

That the Bill be now read a third time.

**Sir JULIUS CHAN** (New Ireland) – I just heard the comment from the Prime Minister that tomorrow we'll wake up and we won't feel any change.

Prime Minister, if that is what we are changing then we are not making any change at all. We have to feel the change. This Bill must create a feeling that we are re-creating this structure of government. If it is simply just for the sake of doing things then we really have not achieved anything at all.

My little comment and I hope, what we have passed will create a new structure of the kind of government that is going to be very good for Papua New Guinea. I think too often we talk about delivery of services; delivery of services will not come about, Mr Speaker, unless you've got the people who are committed to deliver it.

My biggest concern in this whole thing is not about the structure we are creating, it is about the people working in that structure; the public service. At the moment it is with the provincial government but when you get it; or when the Open Members get it, you will find that the obstruction is not about your ideas and the people. But there is a level in between in which you've got to try to get them to deliver the services. And that is what my biggest worry is about.

I don't think that we have played around enough with this new idea but I will say this again, Prime Minister, I want to get up tomorrow and feel that yes, it is a different structure that we are creating for the good of Papua New Guinea.

**Sir PUKA TEMU** (Abau – Minister for Public Service) – Mr Speaker, I want us to go back to 1977 and even before that, before the passing of the *Organic Law on Provincial Governments*.

When the *Organic Law on Provincial Governments* was passed in 1977 all the districts were abandoned. Before that the people who work were in the districts but when the Organic Law was passed in 1977 all the public servants were taken back from the districts and they came to form the provincial centers because that law allowed the provincial legislature to be established. That's when we saw the fall of services to the majority of our people.

**22/02**

That is when we saw the fall of services to the majority of our people and on this debate the Prime Minister is absolutely right. We are going back to where original intention was. That is where the majority of the people live and this is where this Authority is going to be.

Mr Speaker, my second point is that, when we brought our *Organic Law* in 1995, we over politicised the bureaucracy. Bureaucracy had no control when we created four levels of administration and three levels of legislator and they are the National Government, Provincial Government and Local Level Government. That is when we truncated the control of the Public Service, so, when we began the JDP the district administrator had no control over the staff.

This is a structural issue, Honourable Governor for New Ireland, and you will wake up better tomorrow for I am assuring you under these legislations. If I were the Governor, I would be the happiest politician because all the district authorities are going to do all the jobs in the entire province. Therefore, you will wake up better tomorrow because the authorities will take charge of all the districts that are under you. With that, you will just go and visit us at the districts and work together to run the country.

This is a structural change that I believe will bring improvement in delivery of services because the Authority will take charge of the instrument of delivery, the Public Service. That is what the law is about.

Thank you, Mr Speaker.

**Mr PETER IPATAS** (Enga) – Mr Speaker, I would like to say that, as a leader of this Government the Prime Minister has brought this Bill to Parliament where we voted on it. At the same time, the Prime Minister in his last three years of this Government's term has shown that his work is in the true interest of our people through change.

Therefore, when he brings such Bills to Parliament all of us here know what his plans are but as responsible leaders we too must analyse ourselves and our experience. We just cannot just sit down here and pass laws. This is not because we governors do not support the Prime Minister but because as responsible leaders in our own right, we have our own opinions.

As leaders, we too have experience and knowledge in running our provinces and also have the vision of developing our country. All of us here are either Governors or Open Members who have been mandated to represent our people here in Parliament. We are not going to be here forever but for every decision that we make it must be for the future of this country.

Mr Speaker, I would like to assure the Open Members that we are not against them. They have a separate mandate as do we Governors who also have a separate mandate.

Mr Speaker, I would like to say that, as one of the Governors that have been serving since the reform came in, when have you Ministers gone to the provinces and districts with your departmental heads to make sure that the provincial government mechanism was working? You Ministers can talk big here in Parliament but when have any of you ever gone to the provinces to help them deliver services?

Some of us have been struggling in our own provinces trying to deliver because we love our people and our provinces. With that, if we think that this law will hinder some of the good work that we have done so far then we should say so. Let me also tell you all that this law is not a new one. We already had these Joint Planning Committees work already, Honourable Members.

Therefore, this law now gives Members more power and when you only had limited powers then were you honest enough to make things work?

*(Members interjecting)*

**Mr PETER IPATAS** – Yes? Some of you can say, yes, while others say, no, while others will sit there and say nothing.

Therefore, as Governors, we too got votes from the same people you also got from. Therefore, we also care for the same people you also care for. With that, if we think that this new law is not going to deliver in the way that we see development for a province or district, then we have the right to oppose it.

**23/02**

Mr Speaker, as governors, we agreed that we would be more cautious in rushing this Bill. It is good to have a windfall where money is distributed all over the provinces in this country to improve infrastructure. But when we are trying to change the structure of the system we must be careful. That is just exactly what we are saying.

Mr Speaker, when we become Members of Parliament, we have the power to change systems and personnel in the public service. As political animals we have that drive and desire to do so. Let's consider the future of our country in the long term.

Mr Speaker, while I have the opportunity, let me say and quote one of the founding fathers of the *Constitution* of our country, Grand Chief Sir John Momis, when he spoke in Kimbe and said, *“to deliver service you can quantify in monetary values, education, health, law and order can be quantified with money. You can put monetary value in all these. But in achieving and maintaining the unity of our country, you can never quantify that with monetary values”*.

Mr Speaker, in our quest to try and entertain ourselves as politicians we must never forget that there is also danger in all that we do.

Motion (by **Mr Tommy Tomscoll**) agreed to –

That the question be now put.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

## **ELECTORAL DEVELOPMENT AUTHORITY BILL 2014**

### **First Reading**

Bill presented by **Mr Peter O'Neill** and read a first time.

### **Second Reading**

Leave granted to move the second reading forthwith.

**Mr PETER O'NEIL** (Prime Minister) – I move –

That the Bill be now read a second time.

The Electoral Development Authority Bill 1992 was passed in 1992 but never commenced. The *Act* was again an attempt to establish a statutory authority in each district similar to the one that we have passed today. In order to avoid any possible confusion in the future and uncertainty of any amendment to this Bill we are now asking this Parliament to repeal the *Electoral Development Authority Act 1992*.

Mr Speaker, I commend this Bill to Parliament.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time - agreed to.

Bill read a second time.

### **Third Reading**

Bill by leave, read a third time.

## **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari – Pori – Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

## **LEAVE OF ABSENCE**

Motion (by **Mr James Marape**) agreed to –

That Mr Daniel Mona Member for Goilala be granted Leave of Absence for the duration of this Meeting due to ill health.

## **TWINNING PROGRAM – STATEMENT BY Mr SPEAKER**

**Mr SPEAKER** – Honourable Members, let me inform you that there will be a workshop on the role of Parliamentary Committees in Modern Legislature on Thursday 27 November from 12.00pm – 2.00pm at the B2 Conference Room at the Parliament House.

There will also be a Seminar on Obligations under the Leadership Code on Friday 28 November from 12.00pm – 1.00pm at the State Function Room of the Parliament House.

These are initiatives provided under the Twinning Program arrangement between National; Parliament and the Queensland State Parliament and other Australian Parliaments and the Centre of Democratic Institution.

I extend this invitation to all Parliamentary Committee Chairmen and interested Committee Members to attend on Thursday. Please take note of the Workshop and I anticipate your attendance.

Sitting suspended from 12.50 p.m., to 2.p.m..

24/02

### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari-Pori-Minister for Finance) – I ask leave of the Parliament to move a motion without notice.

Leave granted.

### **SUSPENSION OF STANDING ORDERS – RE-ARRANGEMENT OF BUSINESS**

Motion (by **Mr James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent (a) Orders of the Day Nos. 174,175,176,177 178,179,180,181,182,183, government business being called on forthwith and (b) the Opposition spokesmen on Treasury replying to the 2015 Budget.

### **APPROPRIATION (GENERAL PUBLIC SERVICE EXPENDITURE 2015) BILL 2014; APPROPRIATION (NATIONAL PARLIAMENT 2015) BILL 2014; APPROPRIATION (JUDICIARY SERVICES 2015) BILL 2014; and SUPPLEMENTARY (APPROPRIATION) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...)

**Mr BELDEN NAMAHAH** (Vanimu-Green – Leader of the Opposition) – Thank you Mr Speaker, before I reserve my right to speak, I would like to seek leave of the Chair to raise a point of clarification.

Mr Speaker, you would recall last Tuesday that when the Treasurer handed down the 2015 Budget a very significant part of the General Public Services Appropriation Bill 2015



was not made available to the Parliament as is required under *Standing Order 197*, and as a result *Standing Order 200* may have been violated.

Mr Speaker, Opposition is of the view that this Parliament cannot deliberate further on the 2015 Appropriation Bill in the absence of General Public Services Appropriation Bill. Mr Speaker, if I turn to the provisions of the *Standing Orders*. The *Standing Order* spells out very clearly the presentation and First Readers and tabling of the copy of the Bill to present the Bill. Section 197 states:(1) *a copy of the Bill shall, meaning mandatory, be laid upon the table accompanied by such documents as the originator of the Bill thinks necessary for the information of the Parliament.*

**Mr James Marape** – Point of Order! Mr Speaker, let me put on record that the Bill was tabled but the supporting documents were not tabled and were delivered.

**Mr SPEAKER** – Your Point of Order is in order.

Leader, I see where you are coming from but I think it is obvious here if you go further down to *Standing Order 200*, subsection 2, the narration at the final paragraph states that ‘the *Second Reading may be moved immediately after the Bill is read the first time but under no circumstance shall the Second Reading be moved until the Bill has been circulated*’. And the Bill to the understanding of the Chair is this document. What you are referring to is I believe associated papers with the Bill giving the details, but the Bill itself is here and that was circulated according to the knowledge of the Chair and so I think we are in compliance with the *Standing Order* right now.

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**Mr BELDEN NAMAHA** - Mr Speaker, if I may take you to what you are referring to as *Standing Order 202 (2b)*. What is the Bill? The Bill is one specified in *Standing Order 237*. The Bill is an Appropriation Bill and it's the entire Budget. And it's a similar application if we are to amend a provision in the *Constitution* or *Organic Law*.

**Mr SPEAKER** – I am not here to define what the Bill is but it's obvious what the *Standing Order* is referring to and of course in 197 talks about accompanying documents, so in my view our procedure is correct.

**Mr BELDEN NAMA**H – Mr Speaker, if I may also say that this entire presentation of the Bill by O’Neill-Dion Government is misleading and misconstrued because we have two Budget statements; one was circulated on Tuesday 18 November and then there is the other

**Mr Peter O’Neill** – Point of Order! Mr Speaker, the Treasurer when presenting the Bills had all the Bills signed and tabled on the Floor, so that is the only requirement that is required of him. So why can not the Opposition Leader stop wasting every one’s time and just reply. If he is not prepared then sit down and we will debate the Budget.

**Mr SPEAKER** – Leader of Opposition, please stop interjecting because I made the ruling already. Allow the Opposition spokesman to make a reply to the presentation of the Budget.

*(Government Members interjecting)*

**Mr BELDEN NAMA**H – I now ask the shadow Treasurer of the Opposition and before I ask him, I want to formally welcome the Leader of THE Party and five members of THE Party to the Opposition.

**Mr DON POLYE** (Kandep – Shadow Minister for Treasury) – Thank you, Mr Speaker, Honourable Members of Parliament, Papua New Guineans and Corporate Citizens. I arise to be very explicit that both the 2014 Supplementary Budget and 2015 Annual Budget are nothing more than a hoax.

A deceitfully planned deception for abuse, misuse, theft and corruption to take place where the funds are -

*(Members interjecting)*

**Mr SPEAKER** – Honourable Members, I must warn you to stop.

**Mr DON POLYE** – The O’Neill-Dion Government presentation of the 2015 Budget was most embarrassing and unprofessional.

The presentation of the whole Budget leaves much to be decided. As if having the Capital Investment book, Volume 3, which you refer to now was thrown into our office midnight Wednesday through break and enter was not enough blunder, the Opposition ends up with a new version of the Treasurer's speech booklet so different from the one presented. The conduct of this Government is a nightmare by good governance standards.

Mr Speaker, it's an absolute decline in the standard of Parliamentary legislative processes. It illustrates to honourable Members of the Parliament and the people of PNG a very weak incompetence Government running this nation.

The appalling presentation of the Budget is only a symptom of a more chronic problem, which the Opposition's assessment of the Budget will uncover in detail.

With that, I shall in brief address the 2014 Supplementary Budget and some of its details and the high degree of lack of transparency in it. I will begin on the 2015 Budget analysis as to the taxation measurers, revenue forecasts why 2013 and 2014 deficit budgets were done and the massive public debts and financing.

I will conclude by discussing some of the very poor decisions of the O'Neill-Dion Government that is hurting Papua New Guineans and the economy today.

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The most beloved hocus-pocus of all is the idea that the Government's style of economic management and their money plan will rescue Papua New Guinea from its problems.

This year, the total expenditure of the Government grew massively over K16 billion. I never planned a Budget to grow to that much deficit and going beyond budgeted limits without creating shared wealth, shared prosperity, and neither creating sustainable economic growth for Papua New Guineans to be proud of. And 2014 demonstrated how the Government or any irresponsible government can lose control of the economy. And it is rare for the Governor for the country's central bank to have to comment about concerns on extra budgetary expenditure as was done in the latest monetary policy statement.

Mr Speaker, this year, the people have been cheated by the Government in terms of the following criteria:

1. Spending people's money exorbitantly on non- priority areas.
2. Blowing the people's Budget out of proportion by approximately K1 billion.

3. Committing the country and its people to a huge debt of unplanned, unbudgeted and very costly commercial loan, raising the public debt level to K17.5 billion in one year.
4. Breaking the country's constitution and the law and breaching the Government's own macro-economic policies ;
5. Giving jobs and contracts to preferred contractors and family businesses and hence depriving Papua New Guineans of shared wealth distribution and inclusive growth.

Mr Speaker, the record set by this Government is very negative for Papua New Guinea. I stopped you from doing this but you would not listen and you have run this country down, thus the nation will experience more perilous times next year in the medium term and long term if this reckless behaviour continues.

This honourable House needs to scrutinise the credibility and macro-economic credentials of this Budget impartially before a decision is made by Parliament for the people. And we in this part of the Parliament are of the firm view that both budgets are hoax, hocus-pocus Budgets and must be directed by the Parliament for representation by the Government.

The 2014 Supplementary Budget and the 2014 Annual Budget is one of the greatest hoaxes in the history of this country and should not be passed. If we really do sincerely care for the people we need to redo the Budget.

Mr Speaker, the Government's release of the Public Investment Program, 2015-2019 volume 3, presented on Tuesday speaks volumes of the O'Neill-Dion Government's incompetency and recklessness. I proceed to analyse the Budget as follows:

#### **2014 Supplementary Budget of K1.07 billion.**

Mr Speaker, the experts in the field of financial and economic management and the growth sector state two fundamental bad practises that must be avoided if one decides to succeed.

1. A budget that is not transparent, lacks good strategy and opportune for corruption.
2. Spending outside the budget and incurring unbudgeted expenditure.
3. Spending on less or non-priority areas that would not enable growth.
4. Incurring of debts beyond management levels thus killing growth and businesses.

(d) Incurring of debts beyond manageable levels, thus, killing growth and business. You know what Mr Speaker and the Honourable Members of this Parliament, this Government has championed in doing all four (4) avoidable.

Mr Speaker, the 2014 Supplementary Budget could have been a windfall budget if the O’Neil-Dion Government did not incur K879.3 million un-budgeted expenditure or if it did not take a huge loan (K3 billion USD loan) that squeezed out of a massive K204.3 million and if the K600 million assets sale was done properly and competently. The windfall would be approximately K500 million, as a result of the early sale of LNG gas and other revenues.

### **Unplanned/Unbudgeted Expenditure.**

Mr Speaker, the unplanned expenditure of the O’Neil-Dion Government is reckless and unacceptable! It amounts to irresponsible management of the country’s economy.

Certainly it appears that the so-called infrastructure works and funds were applied to out of the Budget expenditure, had not been scoped, costed or cost-benefit assessments done for economic viability as outlined in the 2014 Budget that I did, Mr Speaker.

The targeted areas of unplanned expenditures certainly were not considered in the National Strategic Plan, Vision 2050, Medium Term Development Strategy (MTDS) or within the armpits of Medium Term Debts and Fiscal strategies that we all boast about, this Government did not care to have discipline along those lines. It is shocking that the Government breaches its own macro-economic policies, why put them there in the first place if you are going to break them, Mr Speaker.

Maybe because, with due respect to the Prime Minister Peter O’Neil, it was never a part of a key portfolio in the then Somare-Polye, Somare-Temu, Somare-Marat and Somare-Baing, governments who whole-heartedly framed and founded those macro-economic fundamental policies when the country’s economy was down to rescue it. No wonder, the Prime Minister does not understand and does not take ownership of prudent economic management.

Oh yes, you must laugh because you are laughing the country down your throat.

*(Laughter in the Chamber)*

**Mr DON POLYE** – Mr Speaker, the Prime Minister, the CEO of the Nation, cannot be trusted that this will not happen again.

Mr Speaker, this budget blowout has definitely affected the Governments financing capacity.

Let me tell you, a good practice is when a government builds in a deficit in an annual Budget for justifiable reasons like we did for 2013 and 2014, it has to ensure beforehand that the level of annual deficit can be easily raised in the local economy through the Treasury Bills or Inscribed Stock. (TB & IS). If you don't find enough equity you don't build a deficit.

Mr Speaker, with the Prime Minister and his government's unplanned and reckless spending spree this year, the local market liquidity dried up and lacks capacity to buy any further Treasury bonds or Government Security.

Therefore, the demands for Treasury Bills and Inscribed Stocks has reduced, which means that it is now becoming increasingly very expensive or costly to raise funds domestically in the market. Therefore, the Honourable Treasurer did mention to look at outside of – financing and I tell you what, it is quite costly but I'll come to that.

Mr Speaker, the consequence of that is that the much needed infrastructure spending is delayed or aborted just like this honourable House sees this Supplementary Appropriation Bill done in slashing K1.07 billion from most priority areas to be transferred to un-priority areas spent by the Prime Minister and the Government on ad-hoc basis.

Mr Speaker, with PNG's local money market dried up and expensive, it would be difficult to assume that any 2015 annual budget programme would be capably financed properly.

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If the Government pursues other avenues like sovereign bond issuance or resorting to commercial loan it would also be costly and risky.

Mr Speaker, the Government's talk of creating a secondary and debt markets sounds like a good idea but it can only happen when real Papua New Guineans are given the opportunity to share the wealth and growth.

At the present situation, you tell me how many contractors owned by Papua New Guineans are given massive contracts to the billion and billions of kina. The foreign companies are extracting from the local economy, you will never create a secondary market that you are talking about.

Mr Speaker, now turning to the figures, Papua New Guineans will find it absolutely startling that, more funds are pumped to Port Moresby City roads and again to the Pacific

Games. The figures in total spent on these two areas so far add up approximately to over K2 billion. I am talking about the real economic returns here.

Mr Speaker, let me refer you and the honourable House to the unbudgeted expenditure and its impacts very briefly.

Mr Speaker, the cuts of K1.07 billion from the operational expenditure of K154 million, capital projects of K472.0 million and trust account of K444 million and transferred in the following manner is very, very questionable.

Mr Speaker, firstly, the Prime Minister through the Supplementary Bill 2014 directs K250 million to be transferred immediately to his Office. It says in the Bill, “K250 million to be immediately transferred to the Department of Prime Minister and NEC (Division 203) and latter credited to the South Pacific Games Trust Account for additional expenditure” (Supplementary Appropriation Bill, Schedule 1, Schedule 2)

Mr Speaker, this is way far too much money for one individual to control when the Prime Minister and his Office is not a bureaucratic and transparent implementing agent as such. So much money transferred away from the most suitable and various priority areas into the control of just one man, which is not a priority sector is alarming. This is improper and amounts to lack of transparency and bad governance. The Prime Minister’s Office does not have the capacity for check and balance, neither the competency to implement.

The Chief Secretary’s Office is deliberately left out. The NEC Secretariat only administers Cabinet or the National Executive Council operations and nothing more.

Mr Speaker, the Prime Minister’s Office is comprised of a political Chief of Staff and other Political Staff. Some key members of the Prime Minister’s political staff feature prominently as stars and champions in the famous shelved Finance Commission of Inquiry Report that reveals theft and abuse of millions and billions of public taxpayers’ funds.

Mr Speaker, this honourable House must direct that these funds of K250 million be reverted back to the Joint Trust Account of Treasury, Finance and Planning to be drawn down with justified scope and costing of work.

Mr Speaker, the National Capital roads being allocated K75 million is a joke. What is the economic rate of return, for instance, the Kookaburra by-pass or fly-over? The fly-over in the city is only a beautification project with no economic value built at a massive cost of over K270 million.

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The kookaburra by-pass or Flyover, a Flyover, in the city is only a beautification project with no economic value built at a massive cost of over K270 million.

Mr Speaker, it is sad to see more expenditure spent in a less priority area not prioritized in any of the macroeconomic policies of the government which continues to consequently increase the State's debt liability.

Other city roads built or rebuilt at an exorbitant costs are not priority roads compared to the Highlands Highway, the Sepik Highway, the Madang-Ramu Highway, the Southern Highlands Highway, the Sandaun Highway, East-West New Britain Highway, Buluminski Highway, the Buka Ring Road and other economic roads in PNG. Besides, the NCDC has the capacity to fund this road itself.

**Mr Francis Awesa** – You were Works Minister for eight years, where were you?

**Mr DON POLYE** – When I was Works Minister I improved the economy, you are trying to break it up.

Mr Speaker, or is it a scam to make a few millions of kina by concentrating billions of the people's money in the city through a very few and somebody told me, only four big registered contractors. So you give here and then you go and get cash on the other side, it is like a boomerang.

*(Applause in the Public Gallery)*

**Mr SPEAKER** – Order! Leader, I have to interrupt here, I just want to give a warning to the visitors in the Gallery, listen only and let the Members make noise.

**Mr DON POLYE** – Mr Speaker, why can't this amount of K75 million be directed to building the Central Province City that we can all be proud off.

Mr Speaker, you do not have to look for where to spend the money, it is there right in front of you, the Central Province city, and it is right under your nose, that's where you should spend the money.

**Mr Peter O'Neill** – You should have done that when you were Treasurer.



**Mr DON POLYE** – I did, and you shifted it elsewhere, I put K75 million for the Central City development and you never spent the money there.

**Sir Michael Somare** – Point of Order! My point of order is that the Member for Kandep should be addressing the Budget and the issues surrounding the Budget and refrain from pointing fingers at each of the Members who prepared the Budget because he was part of it as well.

**Mr DON POLYE** – I am!

**Mr SPEAKER** – Your point of order is noted.

**Mr DON POLYE** – Mr Speaker, that's exactly what I am doing if there is any confusion.

Mr Speaker, the PNG Power Policy allocation of K40 million also raises some eyebrows, a massive K40 million will be spent only to develop a policy on power supply and reliability. It is not K40 000 or K400 000, it is K40 million.

Mr Speaker, K40 million to develop a piece of document of up to 200 to 300 pages on supplying power and to stop blackouts, ridiculous, by the way, what is the story on the Prime Minister's Israeli LR Company generator sets which the Prime Minister has been dramatizing on this reliable power supply and the solution of it.

The nation was led to believe that LR generator sets were the panacea for Papua New Guinea's electric or chronic power problems.

Mr Speaker, the Prime Minister wrote and directed payments of K50 million in the first instance and then another K94 million in addition to that resulting in a total of K144 million to purchase two old, used and incompatible generator sets.

It means that by now, as per the Prime Ministers plans and directions of this huge amount of money, K144 million, Mr Speaker, the policy and the outages of power should have been addressed. Why are we spending another K40 million?

Or is it an indication, Mr Speaker, that the Prime Minister purchased the generator sets without government policy in the first place. As I have been arguing all along, is this an indication that this government has awoken to the that a power policy is needed and the Prime

Minister's ad hoc spending of the people's money brings more and more problems and we throw in more and more money.

Mr Speaker, we say that only K2 million to K4 million is appropriate for developing a policy, hence the balance should be redirected back to the Office of Higher Education, trade skills or scholarship training for our young ones.

Now I go to the fourth point of additional interest costs above 2014 consumes a massive K204.3 million. The government should be honest about this build up of debt liability as the consequence of the K3 billion UBS loan.

The need is there for the Prime Minister to tell the nation through this Budget that the K204.3 million is the interest payment for K3 billion commercial loan, which is the bridging loan component.

### **30/02**

Through this Budget that K204.3 million is the interest payment for the K3 billion commercial loan, which is the bridging loan component.

Why hide the truth under this guise and vague descriptions in the Budget. Tell the truth, you should just tell the truth and say that, here is K204 million for paying interest for the UBS Loan. It is as simple as that but the Budget does not say this.

Mr Speaker, the *Supplementary Appropriation Bill 2014* when you look Part One of the appropriation Bill; a figure of K190, 700, 000 in saving and I quote here, it says, 'savings to be used to further offset unexpected expenditure and maintain the Government's fiscal parameters'. Now, if you look at that Bill carefully like I did, you will find that there are other such items in Part One that add up to K879.3 million and the same are not shown in the preceding documents of the legislation including Schedules 1-7. So, this K190, 700, 000 is parked and hidden there somewhere so that you cannot be seen easily.

Mr Speaker, this figure of K190.7 million is a huge amount of money that needs to be scheduled properly and transparently. Why then are we chopping it down there somewhere like this? Who is implementing the programme and where has the funding gone to? The other schedules from 1-6 talk about where the other funds go, but as for the K190.7 million has no description and has no direction of where it goes. We have the appropriation Bill here without articulating clearly where that K190.7 million has gone to; K190.7 million is a lot of money that we are talking about here.

This raises questions if this is a deliberate cover up, and therefore, is the Prime Minister carefully doing creative accounting here? Considering that these are the people's money which has been put somewhere or, is it just an accident or error?

This is not a surprise –

**Mr James Marape** – Point of Order! With respect to the Opposition's spokes person for Treasury, Mr Speaker, we would like a copy of his statement so that we can reflect on the numbers that he is proposing.

**Mr SPEAKER** – This is a good point of order. Do we have copies of the statement around?

Mr Clerk, do we have any? Can we have those delivered as soon as possible, please?

You may continue.

**Mr DON POLYE** – Mr Speaker, our people in the Parliamentary Service told me that they only produced ten copies and that there is no paper to produce more.

*(Members interjecting)*

**Mr DON POLYE** – Mr Speaker, is this K190.7 million carefully tucked away to pay more UBS Loans or what? Or is it for some additional costs for the South Pacific Games? Or is it for the Port Moresby roads or may be the old Marea Haus upgrade, which might need some more money and may be that is where it is hiding there?

Mr Speaker, our Pineapple Building might need some more money. This massive amount of K190.7 million needs to be verified where it is to be applied. Recklessly leaving such public funds aimlessly are only and is motivating for bad things to happen.

The Opposition recommends that it is redirected back into the most priority areas of the 2014 Budget by the projects component or, Mr Speaker, it needs to be used for development of agriculture commercialisation programmes to the National Development Bank like the Sepik Plains, Ramu Plains, Papua Plains and others to carry out agriculture using such money.

Mr Speaker, the six points are keeping the K494.3 million in Treasury and finance miscellaneous is a massive amount of funds controlled by a single office, officer or secretary

and will definitely lead to abuse of these funds because there is not enough transparency and scrutiny there.

Mr Speaker, this practice of parking funds under one departmental head or Minister is not transparent and erodes good governance. Therefore, for instance, if the Prime Minister decides in a knee-jerk reaction for purportedly re-planned decision to direct the secretary for Treasury to execute spending without compliance to legal processes, it is very easy for one who is in that position to do.

This is because all funds taken together and put into one place is easy as a one stop shop. Now, that funds are kept under one boat and person who may be very close to the Prime Minister himself has funds kept at various different votes and departments –

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If the Prime Minister could, by formal direction, get the Secretary of Treasury to release funds of K50 million to the Israeli Bank from Treasury through the Central Bank, the Prime Minister would love to deal with an enormous figure like the K494.3 million kept under the Secretary for Treasury, Mr Dairi Vele.

Mr Speaker, the Opposition is of the strongest position that the funds be transferred to responsible agencies and departments. Not kept in a central location under one man or two men control. These are public funds we are talking about here.

Mr Speaker, the Supplementary Budget Appropriation Bill 2014 aims at enriching the few powerful and their cronies at the convenience of city roads and 2015 South Pacific Games, et cetera. The Supplementary Budget illustrates obvious lack of economic foresight and management.

Mr Speaker, if the 2014 Supplementary Budget is implemented, it promotes corruption, erodes governance and marginalizes shared growth and inclusive growth that Papua New Guineans so desires.

The Supplementary Budget Appropriation Bill 2014 lacks strategy for inclusive growth, does not serve families nor alleviates people from poverty. It lacks transparency.

Mr Speaker, if we are honest as honourable Members of Parliament, I do not see my honourable Members from both sides of the Floor passing the Supplementary Budget Appropriation Bill 2014 until we bring some light of transparency in those funds that are there.

Mr Speaker, continuing on to the 2015 National Budget on Government Taxation and Non Taxation measures, let me commence with the Governments 150 per cent deduction for sponsorship and gifts in respect of the 2015 South Pacific Games Amendment of Section 59 (a) of Income Tax Act 1959. Imagine giving 150 per cent to somebody who is giving us a gift. 150 per cent of what value, what figure? I just did some mathematics and I will present all this to my colleague Members. If we take K500 000 and 150 per cent of that, it goes down to K1.25 million in giveaway in the form of tax rebates.

Mr Speaker, deriving questions are, was it the part of the 2014 Taxation Review Recommendation? Where did it come from? Did it go through the normal process to gather 150 per cent? Nowhere in the Bill does it say when the Commissioner General of IRC should do evaluation of such gifts and property other than money. It can easily be forgotten. It is a one-off thing. You are giving huge amounts of benefits away just like that without the State benefiting.

How does it help the 2015 South Pacific Games and the State when millions of kina which by market prices are adequate enough to have completed all activities are gone into the preparations of the Games.

Mr Speaker, we do not need to put more money into the Games. We have given enough money already at the current market price. It's more than adequate. No need to give free tax rebate or whatever. It's an unnecessary Bill. We are committing the State too much into just one area. Is the 150 per cent tax rebate yet another scam? What is it? Is it to rip off the State and enrich those few in power and their cronies?

Mr Speaker, the Government on behalf of the State has allocated over K1 billion, to be exact, K1.189 billion commencing 2013 Supplementary Budget and 2014 Supplementary Budget for the South Pacific Games.

Mr Speaker, even in the 2015 National Budget there is an additional K360 million in the Prime Ministers Department for the South Pacific Games.

We are still allocating money to the South Pacific Games when there was so much money to the tune of K1.7 billion – K2 billion will have been spent by March next year under the pretext of 2015 South Pacific Games.

Mr Speaker, I am saying that that is abuse.

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Mr Speaker, don't forget that so much tax holiday freedom has been given for 2015 Pacific Games sports imports already. On top of all these massive expenditure, the honourable Parliament allowed to offer more favours and benefits to those already fat in the name of the South Pacific Games.

The Opposition says no, this honourable Parliament shall not allow abuse to continue. The Opposition calls on all Members of Parliament not to entertain the pack of unsubstantiated claims of the Prime Minister and the Sports Minister that they need to raise K60 million through the 150 per cent tax rebate for the Pacific Games. What about all these monies we have parked into the South Pacific Games, they will only make more money. This is deceitful, it should not be parked by this Parliament.

The next part of the tax discussion is the personal income tax. The Opposition has studied the Budget papers and there is no gift to the real Papua New Guinean employees especially the young people out there. We have not put anything for them in the Budget. This is just like giving the 150 per cent tax rebate to corporate Organisations. Why shouldn't we give something back to the people?

Mr Speaker, this is what the Opposition will do, it will increase tax free threshold from K10 000 to K15 000 to save Papua New Guinea families K179.7 million into their pockets. But you have to implement that. Increase the 30 per cent marginal rate threshold from K18 000 to K25 000 to save K55.7 million into the pockets of Papua New Guinean employees. Increase the top marginal rate threshold to K200 000 so that the State makes a small amount of K1.7 million. All other taxes like the GST and the dependant tax rebate, leave them there because we feel sorry for our people.

Mr Speaker, the Government is not thinking that way. They reap off the little people and give to the big corporations such as the 150 per cent tax rebate benefit.

Mr Speaker, moving on to the Government Revenue Forecast taxes on income and profits review forecast. We agree with the K13.9 billion income that they have projected. I think it is realistic but what is not realistic is the K2.2 billion deficit because looking at it the only significant income that can be seen some parts of it has been front loaded and others are coming from the LNG project of not more than K2 billion . With the dividends in there it might go K3 billion but that's all and the finance market is dry.

Mr Speaker, I will argue that the building in of a deficit of K2.2 billion is unrealistic because the economic situation and conditions does not support it. The Opposition is of the

strongest position that the K2.2 billion deficit of 4.4 per cent of GDP in 2015 is unnecessary, unaffordable and should not be allowed into the Budget. The reasons being, the 2015 projection of raising significant amount of money from the landowners of about K1.2 billion to K2.3 billion, the Government envisages that they will raise that money to offset this K2.2 billion deficit

Mr Speaker, there is a chance that landowners will not want to pay for what is theirs already and what they already own.

### **33/02**

Time has come for this Parliament to support free carry equity participation by our people. Look at what O'Neill-Dion Government is doing, they are basically subtracting wealth from the people of PNG. This Parliament must not allow Government to deprive landowners of their wealth because it's rightfully theirs. It's about time the O'Neill-Dion Government give significantly to the landowners rather than stealing from them. The people of Southern Highlands Province, Gulf and Central Province who own resources need not be treated with contempt because they own the wealth and they know it's there.

Mr Speaker, the Opposition supports free-carrying equity participation by our people. The Opposition condemns the Government's plan to take equity away from the people. It is a repetition of another OK Tedi case where the people of Western Province were promised 60 per cent equity by the Government but instead it appears that that promise has appeared to have been a lie. Whilst the OK Tedi problem is still there, we jump onto LNG and benefit from it. We must support them to own wealth and not to steal from them because it's totally wrong to do that.

Mr Speaker, if the landowners refuse paying for the equity they already have, the debt level of K2.2 billion in 2015 will rise to beyond manageable levels like we have just seen this year. The bank revenue on this strategy is speculative and uncertain, a responsible government would do that and an irresponsible government would speculate on uncertainty and think that he will raise money.

My second point is on stock of overall debts for next year. The O'Neill-Dion Government's claim that the public debt level will be K14 264 million in 2015 is a cover up and an absolute falsehood, its not true, you can't and it's impossible and a plain lie. The truth is that in 2015, the total public debts will stand at K19 billion. I got the proof here and want the Speaker, Prime Minister and the Deputy Prime Minister to see it.

Mr Speaker, we must maintain below 30 per cent of that GDP that's been talked about all the time. The current situation is that PNG is facing challenges of finance in the local economy and the interest rates are rising and the international rate is at the risk of being down graded because we can not cope with it. The huge debt of K19 760 million will be too difficult to raise domestically or globally, therefore, it is wise to avoid this 2015 Budget deficit of this magnitude of K2 billion or over. The lower capital market has capacity constraints with reduced demand for Government bonds/security. The situation is affecting the Government's ability to raise money. Global markets need to be studied before PNG issues sovereign bond to finance such deficit during this hard times. The K2.2 billion is an extra burden when the public debt is already enormous.

Mr Speaker, why are we building deficit for 2013 to 2014 is because it will create economic stimulus. When the construction work for LNG decreases most of the local workers will no longer be working and some of these other activities will decrease as well.

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Activities from LNG will see a drop in some businesses. We are looking ahead to 2015 and are carefully building in K2.3 billion in each Budget so that when we are looking at the down turn activities of LNG Project and when the Government provides funding it creates opportunities for people to start-up businesses and create employment to sustain their livelihood.

The idea is that when you get down to doing the 2015 or the other coming budgets, they must be debt free because LNG is already here with K2 billion. You cannot go back and blame the debts on other expenditures again. LNG is already taking care of the two-year debts so you must continue to sustain your standing and build on what you have to look after the country.

If you continue to get more money and create more debts, where else will you turn to pay off your debts? There was no need for us to get the loan of K2.2 billion or create a deficit budget because we are unable to finance it. I am proud of presenting the 2013-2014 Budgets and I am proud of that because I did it strategically and that I had a vision.

Now you see the vision is that you have the proceeds of LNG coming out. Now you slow down the deficit and allow the normal budget in 2018 but that is not the case. The debt level is at K19 billion.



I will now go on to the debt level, and I am referring to a massive debt level but creative accounting has hidden some of them. Papua New Guinea's total public debt is at K14 488.4 million for this year. The total public debt for 2013 was K11 600.4 million.

The Government projected a public debt at K14 260.4 million in 2015. If we have K14 billion in public debt for this year, is not hard mathematics, what you do is add the K2.2 to the K14.6 billion already there and this gives us K16 billion. That is your stock of debt level.

The real level of debt for next year without the UBS loan would be K16, 760.4 billion and definitely not K14.2 billion as claimed by this Government. Therefore, the hoax and deception that the public debt level will decrease in 2015 is dangerous to PNG's economic management; it's an absolute lie and must be revealed. One can easily tell that it is an example of the Prime Minister's creative accounting.

Mr Speaker, do not forget that we got a K3 billion loan, add that up and see what you get. Looking through the Budget papers, there is no mention of this. What happened? Did any of the State-owned entities absorb it?

No! The SOE's cannot carry this loan because they are basically bankrupt just as the Budget books indicate. Your debt to GDP ratio will not be 27.5 per cent as you've claimed but it will be over 38 per cent and will rise to 40 per cent next year.

Mr Speaker, the Government claims to bringing the Budget back to a balanced one in 2017 and 2018 but in this budget, it is hogwash and wishful thinking.

### **35/02**

Mr Speaker, this Government claiming to bring this Budget back to a balanced budgeting in 2017-2018 is hogwash, and wishful thinking. It practically will not be possible. The economy will spiral out of control if this honourable House does not act appropriately to stop this madness of adding on this K2.2 billion on top.

Mr Speaker, we the Opposition appeal to Honourable Members of the Parliament to realize that through creative accounting and deficit, this Budget was designed to give a positive impression of the country's economy but realistically it is not positive, it is glaringly negative, and it is a deception that is why I am calling this government "ad-hoc".

Next few years we will see struggle in the economy if this House does not act responsibly now in this session. It is one of the unprecedented political hoaxes of our time.

This Budget is false and it is our duty, Honourable Members, to observe diligently and not allow ourselves fooled and misled when the figures are right there in front of you.

Mr Speaker, let me take your attention to the total Central Government expenditure payments for 2015 in Volume One(1), Table 9, page 17 to show that total payments next year will be K24,998.0 million that you are paying. For the same thing, the Appropriation (general Public Service Expenditure 2015) Bill 2014 seeks to appropriate a sum of K24,487,983.900 million for expenditure for the year ending 31 December, 2015, as required under section 209 (2) (c) of the *Constitution* as amended. The difference is K510 million so the figures don't even match but I shall leave this to later in the discussion.

Mr Speaker, in the 2015 Budget books the middle statement and the appropriation Bill 2014 give very conflicting and inconsistent figures. For instance, firstly, the Ministers statement on page 3 states “ additional unbudgeted expenditure was K897 million while the Appropriation Bills add up to K879.3 million, the difference in the figures is approximately K18 million.

Secondly, discrepancy I will point out to you is the total of operational expenditure, formally the recurrent component now called the operational expenditures is K17.5 billion, while the Ministers Statement gives a operational expenditure figure of K9.2 billion. The total difference in these two figures is K8.289 billion. There are two figures, one given by the Minister and the other in the Appropriation bill. Which one is the real figure? If it is K17 billion as it is in the Appropriation Bill, Mr Speaker, it is the duty of Government to explain clearly to this House because this is very confusing as both figures relate to the same thing, namely the operational expenditure for the same year 2015 with a significant difference of a billion over.

And thirdly, Mr Speaker, a total payment of 2015 registered in Volume One (1), Table 9, page 17 is K24 billion whilst the Appropriation Bill gives a completely different figure and you will find that the descriptions in the figures goes on and on in the whole of this Budget book.

Mr Speaker, the above three contrasting figures of this Budget illustrates very serious flaws. Here before this Honourable House is the Government Budget with such flaws that are glaring or too profound to be accepted as typing errors or general mistakes. It amounts to recklessness, incompetency and offends the intelligence of the Chair, the honourable House, the Members of this Parliament and the people of this country.

**36/02**

The budget strategic paper is the most important government policy in any given year and to find things like this is unacceptable. It is below the standard. Therefore, this honourable House has the authority to revert this Budget back to the Prime Minister and the Government to do this properly.

Some very poor economic and political decisions have been made so far have affected this country's revenue and future growth.

Mr Speaker, the Opposition is concerned of many worrying economic and political developments in PNG under the O'Neill-Dion Government. Some of the most noticeable factors are the following:

The Government has been shifting its focus for providing services to direct involvement in risky business ventures, which definitely has affected the Nation's economic soundness.

The Opposition is of the strongest policy view that the Government should concentrate on what it does best in terms of health, education, law and order, infrastructure and have the private sector do what it does best. The people of PNG will benefit from jobs created by the private sector, as well as taxes the private sector should pay.

Mr Speaker, recent examples of moving across this line include the following:

I will not dwell too much on the funding of Oil Search shares because it is concern that I have already raised.

Secondly, is Ok Tedi take-over has affected the business confidence, opened the people of PNG to the risk of legal action, and hurt the people of Western Province who still deal with the environmental implication of the mine. Ok Tedi is currently in an international arbitration over the ownership issue so that the decision of the Prime Minister as Minister responsible has not been successful at all. The projected revenue of K190 million from Ok Tedi mine might not come into State coffers if hampered by such arbitration.

Mr Speaker, the International Petroleum Investment Company (IPIC) loan. There was US\$300 million that the O'Neill Government has been dealing with to get that money back to us but the Opposition understands that, that money has been lost. Why cannot the Prime Minister advise the people of this nation so that we know where we have lost and where we have gained?

Mr Speaker, the artificial lifting of the kina/US exchange rate has dropped the income of all rural exporters by nearly 15 per cent.

Mr Speaker, the farmers know that when they go to the factory gates to sell their coffee or cocoa, they will receive 15 per cent less per kilo on 5 June because of this decision. This is estimated to have moved 130,000 people growing coffee in rural PNG below the poverty line according to World Bank estimates.

Mr Speaker, the Opposition would like to have this temporary fixing of the Kina/US dollar exchange rate removed and leave it to the market forces.

Mr Speaker, the Government's preparation for APEC Summit will see a mere K5 million. Although it is two or three years away there should be more money put in there because APEC is an important event and it is beyond our comprehension and the preparation should be taking place now. It should not be left to the last minute because 2017 will be your election year.

Mr Speaker, in conclusion, the Government is in direct contradiction to its budget motto building our nation and providing opportunities for our people through the allocation of the mere K730.8 million to the economic sector; a rise of only 5.9 per cent or 40.8 million from 2014.

### **37/02**

It is very concerning to see the sector directly responsible for job creation and income earning, boosting rural economy businesses and empowering mums and dads participation in economic growth receiving low priority. How do we encourage economic growth, Mr Speaker?

The massive increase of about 50.1 per cent from 2014 in debt servicing component or K1.1 billion reveals the true focus of the 2015 Budget.

This Budget has been designed to reward corporate friends of government with the meat while certainly leaving the bones to the people of Papua New Guinea. This effectively cuts off opportunities for women and children, youths, SMEs, agriculture and tourism industries to flourish.

Mr Speaker, my questions are; did the two budgets place an enormous amount of, over K1.5 billion to K2 billion into the sole control of a few individuals, including the Prime Minister and the Secretary of his department?

Here is a Budget that conceals the real truth of the country's total public debt that the O'Neill-Dion Government has committed the State into, a total of over K19 billion.

This Budget give 150 per cent tax rebates to cronies and friends of the Prime Minister at the suffering of the majority of small entrepreneurs, businesses and grassroots.

This Budget takes the landowners wealth away only to pay off unproductive loans like the UBS loan.

Mr Speaker, here is a Budget, full of glaring discrepancies and inconsistencies in figures and in all the details.

This Budget kills the SOEs and spent resources in less or non priority areas. It is so un-transparent that so much funds is placed in a few powerful areas of control.

Mr Speaker, this is a Budget that doesn't promote any inclusive growth, it does not promote shared prosperity amongst our people, it does not address the women and children, the SMEs. Here's a Budget that kills the survival of LLGs, local level government councils in PNG by slashing K400 000 from their budget. Why slashing K400 000 when they were getting K500 000, just leave it, add a bit more and let them get K1 million each. There are only 300 LLGs throughout Papua New Guinea, the Deputy Prime Minister knows that.

Mr Speaker, the public service modernization and human resource planning certainly do not have a strategic place in this Budget.

You know, Mr Speaker, when I was on the other side of this House as Treasurer presenting the 2014 Budget, I remember and I know you recall that I gave the analogy of a father planting the pandanus tree. He knew full well that he would not benefit but he was planting it for his children for the years to come. At that time I said it confidently that the country did have and still has very sound macroeconomic policies like Vision 2050, MDT, MTDS, MTSS and so forth. Those are good and it is fortunate we have them.

I was also confident that anyone in the Government, including the Prime Minister, would not breach our own laws, *Constitution* or the policies that we create ourselves. I was confident we would not do that.

I also was confident with funds being allocated equitably to all sectors including agriculture commercialization programme.

Mr Speaker, I was fully conscious of the need for the Executive Government to fully comply with the above policies, the *Constitution*, the Organic Laws, Acts of Parliament and legislation. I said it with those in my mind, I was confident. But now this confidence is gone because all those things have also eroded.

I see that in this Budget all the pandanus trees planted in the last 10 years of strong fiscal discipline have been over harvested, the trees cut down and even the young pandanus shoots coming out have been destroyed by sucking every inch of juice out of it.

You look at SOEs, Mr Speaker, you are forcing them to give you dividends after dividends and it has come to a point where there are no operational funds for them to operate. What investment portfolio do they have? You look at it; you are cutting the whole tree down. You are getting the landowners money back to yourself, you are destroying the Ok Tedi Mine. What do the people have? You are not planning for their future.

All you are doing is pumping money into the Pacific Games and into roads here in Port Moresby. There is no money of a similar magnitude that you put into roads here into other major roads, so there is no tree you are planting. You are only harvesting what others have planted for you, Mr Speaker.

Mr Speaker, this Budget does not plant any new trees. It is easy to spend but it is hard to make money. Real governments make money for the people and create foundations for money to grow. Rogue governments abuse what others have made through misuse, abuse and being corrupt. It only harvests what was planted by other in the past 10 years. The Budget does not plant any new trees.

Even the DSIP, PSIP, LLGSIP and other benefits to the individual districts are subject to the larger economy of the nation.

Members of Parliament, they are all there because the economy is doing well but if you run it down then in the next five to 10 years it will be gone. Think about the big picture and see what we are doing now.

### **38/02**

I cannot see these programmes sustained in the next 10 years if this reckless attitude continues, Mr Speaker.

Mr Speaker, these two budgets, the Supplementary and Annual Budget for 2015 meet all the criteria. If you were to say that there was a criteria for a budget to be hailed, then these Budget definitely pass because they meet all the criteria for failing. We should not pass this Budget and go back and redo it.

Mr Speaker, if the Honourable Members of Parliament do not understand that taking details of the economic perspective of both Budgets that the Opposition has given, then

common sense and moral conscience will prevail in them. For instance, if the Prime Minister is putting K1.5 million over into the Prime Minister's Office then that is wrong.

If the figures do not add up that it is wrong. If the true level of public debt has been concealed cunningly in this Budget and falsified details have been given, then it is wrong. Or, that the ECSCs and important Budget documents have not been properly prepared for the Budget Session when the Budget is the most important strategy of any government. Then a clear conscience must come into play immediately to say that there is something wrong.

Mr Speaker, have you ever heard of this saying? The saying goes like this; there is no smoke without fire. Therefore, suddenly there is a fire and all these are happening.

Mr Speaker, I call upon all the members of Parliament to take heed that if these Budgets are passed then there is no use for Members of Parliament becoming wise after the destruction has been made to the economy. If you all can recall back to the 1990s, PNG had to go to the IMF three times for rescue packages. Therefore, let us not go down that road again. Recklessness and careless spending outside the Budget are dangerous things.

Let us be wise and prevent economic destruction while we can, Mr Speaker. This Budget must not be accepted but be rejected because it is a hoax. This Budget does not serve PNG but only the few in power and their friends.

Thank you, Mr Speaker.

**Mr CHARLES ABEL** (Alotau – Minister for National Planning) – Thank you, Mr Speaker.

I also rise to add to this debate on what is a very important couple of documents for our country, namely the 2014 Supplementary Budget and the 2015 Budget proper. I also would like to acknowledge the spokesperson for the Opposition, Honourable Don Polye, and the Leader of Opposition.

I also note that the Opposition has swelled somewhat in numbers and I think that by having the former Treasurer in the Opposition is a good thing because criticism is also a good thing and debate is a fantastic thing. And I think that it is only good for Parliament and we are very happy to accept the criticism, Mr Speaker.

Nevertheless, I think that some of the words that the former Treasurer keeps repeating in a vain hope that somehow it will become a reality; words like, hoax and fraud. Even previously they were coming through the media saying that there was going to be a risk and blowout and all these kinds of things. Also with words like hocus-pocus and magical words

like that and just repeating it for three or five times doesn't make it necessarily so, Mr Speaker.

Mr Speaker, I would therefore like to say here that, we completely refute these comments. There has been a lot of hard work that has gone into this Budget by many people and many of the people and leaders sitting over here. This is all part of a strategy, Mr Speaker.

Honourable Mr Polye, as you know, we made a plan and that plan involves a lot of things that you were speaking about a few moments ago. Therefore, I would like to take this opportunity before I explain that a little bit further but of course which you know well of.

I would therefore like thank the Treasurer Honourable Patrick Pruaitch, for his leadership in this process. We also thank the Prime Minister and the whole of Cabinet, all the leaders on this side of the Floor and all the partners in the Alotau Accord. This is because we set out on an ambitious plan, Mr Speaker.

That plan was to once and for all rebuild this country and I can tell you all that, if there is one thing that this Government is guilty of, then it is guilty of trying to get things done. And it is not easy, yes, that promise of procurement and yes, there is promise in putting the Budget together but you know what? Things are happening in this country for once.

*(Members interjecting)*

**Mr CHARLES ABEL** – Yes, we are guilty of free education and free health and we are guilty of rebuilding Port Moresby, but why didn't it happen before with the wealth of this country?

Mr Speaker, it is easy putting a budget together and I don't want people to think that this Budget –

**Sir Michael Somare** – Point of Order! I would like to point out to the young Minister that, those plans that we made for the Budget have been carried.

**39/02**

We planted the harvest for over 10 years. We arrived at a decision that this Government should be proud of and not beating their chests and saying that they did it. We actually did it for them.



**Mr CHARLES ABEL** (Alotau Minister for National Planning and Monitoring) – Mr Speaker, as I said, everyone has contributed to all these. But the point I am trying to make in all these criticisms at least things are starting to happen on the ground now. The reality is these sorts of programs did not happen before.

We are willing to accept criticism and we acknowledge all the leaders of the past but we are just trying to point out that this Government is trying very hard to get things done. You know the more you go out and try to get things done there is more risk in getting things wrong too. There is more risk in making a few mistakes because you are trying to be proactive. You are trying to create an envelope that for the first time gives this record kind of spending.

There has never being this kind of envelope before because the Government is innovative in trying to go out and borrow. Knowing that the gas project will come across the line it has given us confidence to create this sort of envelope so that we can invest. The first stage in that process is having a plan.

Mr Speaker, the second thing which is more difficult is implementing that plan. It is going out with the procurement systems and getting things happening on the ground.

Mr Speaker, id like to think that our Government and of course other Governments, and we acknowledge the Grand Chief as well, but for the first time our Government is accelerating this process.

Mr Speaker, the 2014 Supplementary Budget Appropriation, rather than seeing as a bad thing, to me it is an example of a Government trying to be responsible. We set those perimeters of 5.9 deficit, and 35 per cent debt to GDP. When circumstances started to change we sat down had a look at it and we made a concerted effort to try and stay within those perimeters with all the talk of a blowout.

When there are circumstances beyond our control, like the falling commodity prices, when there are cross blowouts which happen sometimes, particularly in relation to the 2015 South Pacific Games which was trusted upon this nation we had to make a commitment.

It was something that started beforehand. There was no funding up until now and we took on this baby to make sure that this baby is well looked after and fed.

Mr Speaker, that made it quite difficult and has led to these issues but the point is as a responsible Government, we responded. That is why we have a Supplementary Budget. This Supplementary Budget again has delayed the whole budgetary process because the Government is trying to stick to a plan. We would be irresponsible if we allowed the blowout.

Mr Speaker, this Government should be commended for trying to stick to a plan.

Mr Speaker, as I say, and the former Treasury who is the Shadow Treasurer well knows when we sat down in the *Alotau Accord* we deliberately said that we are going to borrow. These Fiscal deficits are not unplanned or not unknown. We knew we were going to do them. We knew once and for all we had to invest in the Highlands Highway. We had to get our investment process with our hospitals. We had to bring free education across the line. We had to give some money down to the districts because they have been crying for years. We wanted to move money closer to the people and we had to create that envelope. We had to be aggressive, proactive innovative, use different kinds of methods, increase our internal revenue. Go and borrow. Look at asset sales and non-tax revenue. That is what we have been doing to create this envelope.

We can't get things done without the resources. We make a plan and execute it and this Government is exactly doing that.

Mr Speaker, the proof is in the putting and if you take a look around at the economy, yes there are risks and issues but look at the fundamental of inflation, the exchange rate, the Bahasa payment and the growth in the economy, these are the things that build confidence in the business sector and they are good indicators.

Mr Speaker, because we are a Government of action I want to just allude to a couple of books I have also presented in the Budget lockup, not come here with fantastic envelopes of Budget but we must come with a scorecard against them.

Mr Speaker, let me say here in this Parliament that it should be tradition to have some update reports each time we present the Budget to show this what this handsome figures a delivering to our people. It's not good talking about expenditure but actually what is been achieved. There's a couple of books here and one is the MTDP Pocketbook Report that reports its activity. It is still a bit out of date but we are working on that. There is a critical activity matrix that report against all the major investment of our Government and there is a tracking system happening there.

Mr Speaker, it is so important not just top talk about the numbers. The Treasurer has provided all the details and numbers but it is very important that those numbers produce outcomes.

**40/02**

Mr Speaker, I will just say very quickly that once we try to assemble our 2014 studies on how the expenditure has gone this Budget under infrastructure, health, education, growing the economy, law and order and see where the investments are heading, these are undisputed priorities of our country. These are schools of excellence, universities, technical colleges, all the provincial hospitals, all the national roads and missing link roads. These are not some sort of wish list or Christmas list for everybody. We are trying to concentrate on national priority projects at the national level and we are trying to give a resource envelope to the provincial government, districts and local level government and so they can handle all the projects at sub-national level. We want to move to a process where the Budget is not cluttered with all sorts of projects, even of our members. We want to concentrate at the national level while the sub-national level has their money and concentrate on their responsibility. We want to build this service delivery structure we keep talking about based on the service delivery hub starting at the regional level, provincial level, district and local level government, zone and ward headquarters and right down to the village level. And at each of those points we are delivering minimum levels of service in there and that is what this money is targeted at and if we all utilise this Budget that we are producing at the moment we will see Papua New Guinea continue to move ahead.

Mr Speaker, I note many of the comments that our former treasurer is making and I have to see a copy of his speech to see where some of the figures are coming from such as the K190 million. The comments by the Opposition spokesman about the debt level and simply adding K14 billion and adding another K2 billion to get K16 billion is quite simplistic. He neglected the simple fact like loan repayments when the loans come down. We cannot simply add one and get stocked, the new borrowing on top equals the total that is simple and it doesn't work that way.

I am not sure where the other figures are coming from but we will consider that. For example, the total cost of the South Pacific Games is K1.2 billion and not K2 billion and above. The talks about all the money sitting in 207, again, as the former treasurer, he was there yet he did nothing about that and 207 had a similar mechanism when he was there it was because it hasn't received more, it is a multiagency type function and it is a standard practice for Government over many years. The former treasurer presided over it but did not change it until he decided to sit on another chair and that's the reality.

**Mr Don Polye** – Point of Order! At the market prices, the contract decided at that time there was enough and more should not be put there. What happened in this budget is that you are putting more money and for what, is that a bottomless pit? So please argue directly to what I have said.

**Mr CHARLES ABEL** – I am referring to the 207 vote that sits under Treasury in the Budget books and that's where that particular comment was coming from.

We acknowledge the points about the construction cost and yes, they are very important points. We have a procurement system in place there which all these processes have come through and we are all concerned about it and those points are taken but again they have come through a process and we continue to look and review it and the procurement system is probably the major impediments in terms of delivering this Budget.

In terms of the exchange rate, it goes back to the fundamentals. The exchange rate is at the minimum type level and it is stable at the moment and that is what the economy is looking for. Central Banks actions in there was simply to intervene because we felt that the margins between the Central bank rate and retail bank rate were exorbitant and they were taking advantage of the private sector and taking advantage of our citizens and making super profits and that was the concern around that and that's why the Central Bank stepped in there.

We have also noted the comments on the 150 per cent tax deductions and that is before us but again when these sorts of events happen, many countries around the world use this initiative to incentivise the private sector to assist in partnership to deliver this type of arrangements.

**41/02**

Mr Speaker, I don't want to take much time but just a few comments. We are working hard and a lot of work has been done on it. Nobody is perfect, all of us do make mistakes and so let's accept criticism and try to improve the system and come back to a balanced budget.

But, hopefully, by that time you will see the fruits of much investment that we are making in a growing economy and a bigger GDP and ultimately in services right down at the village level that we see a happy, healthy and wiser people on the ground.

With that, I allow others to participate in the debate but we are confident about this Budget and a lot of time has been put into it. And we are going to get on and deliver a balanced Budget in 2017.

**Mr KEN FAIRWEATHER** (Sumkar) – I want to make few comments on this debate too. Many years ago, my boss and myself was instructed by headquarters to do a budget and we submitted three different budgets for them to choose and we got sacked.

The Budget is not a Bible but it's the best effort a Government can do after time and over a period of a year.

Mr Speaker, I don't see any problem with this Budget as it is. Every Member of this Parliament should be happy with what they have given to them in this budget at both district and national levels. It has never happened before and we should all be happy in this regard.

My only problem with the Budget is that successive Governments have not emphasized or put more funds into education with jobs.

One of the great problems in this country is that there are no big companies owned in the country by foreigners. Steamships may be the biggest company but they don't create much opportunities for this country such as they can't bid for major shipping ventures or anything of that sort.

What we need to do is encourage medium size businesses to get bigger. In this Budget we are trying to promote new businesses through the SMAs. It is good a policy but there are many companies here who cannot grow, participate in big businesses because mostly they are privately owned. There are no big companies on the stock exchange here; the stock exchange doesn't do anything good for the economy. It is just a small bunch of blokes having a good time in Port Moresby.

It needs to participate in the stock markets and bring the capital in.

**42/02**

It needs to expand, go on the stock market and get some overseas capital in. And every time we talk about overseas capital, we talk about a project for a new business starting up and that is not what we need, we need money to grow our own businesses.

We have no short term money market or merchant bank and we do not have any where that you can turn to for equity funding except Nasfund and others. That might be possible and I am not saying that they should be legislated but the Government could use its influence to encourage these people to take equity investments.

It could encourage big overseas companies to use our own companies onshore for as much as they can, even if it will be a lot more expensive because the companies here provide

a lot of things for their workers than off shore companies, and I noticed in the Budget that Australia is giving K1 billion to help with the budget process through aid.

I am sure over the years we have heard of the boomerang aid, but China; the one we are borrowing all the money off from now is giving K15 billion in aid. Can you see that something is a little wrong there? We borrow all that money and we blame the Australians for their boomerang aid.

I would rather think that something is amiss here. These companies are coming in, building infrastructure and they are running away. While our companies, who can build infrastructure if they were big enough and were given the opportunity to be part of a joint venture, are ignored, and the Government has to take notice of it.

Mr Deputy Speaker, on that I am very pleased to say that the Government is doing a tax review and we needed this for a long time and I don't believe that it will go far enough. I think it should be extended for a time frame in the budget to look at the tax in a different way. I am an advocate of flat tax. Every tax should be the same, in that way we will promote growth in the company sector.

Currently the companies are paying more and only some end up paying while the rest of them run away without paying any. This has got to be looked at because it is not healthy the way things are. There is always a knock on the doors of small businesses to pay their tax.

Companies that come onshore do their job and run away, they contribute only the infrastructure that they leave behind and run away. They leave medium and large businesses here without the opportunity to bid. I know big building contractors and building supply materials that are owned by Papua New Guineans here. True Papua New Guineans can't even bid for jobs, because everything is imported from overseas.

We need some transfer price mechanisms, like we have bananas in the store that are being imported. I would like to see that the tax review committee be continued for another year and have some of the things they do introduced into the next Budget. And I would like my flat tax to be looked at properly and not dismissed to some old lunatic who likes to shoot his mouth off.

**43/02**

Mr Speaker, I don't want to go on and on and take up everybody's time but we really seriously need to review our tax position and our incentives to local medium size business. As I said, it is good that the Government is trying to promote new business, that's true, but

should be looking after the old established businesses here too, who actually do pay their NPF, taxes and do provide staff accommodation.

In this recent wage review it was good, that the urban people got an increase in wages and it was bad that it was passed on to the agriculture sector. Most of us argue that it was a crazy thing to do that there was totally two different economies going on here, and there are, but that was entirely ignored. I thought with wonderment, Mr Deputy Speaker, that in the newspaper the other day, a list was published of those who had discretion not to pay or permission not to pay the wage increase. The list included RH. With all those supermarkets and all those properties, how could they possibly not pay that tax or wage increase, I mean what goes on in here sometimes. We are setting one rule for the rich and one for the poor. We need to re-think the way we look at our business sector. Thank you, Mr Deputy Speaker.

**Mr SAM BASIL** (Wau-Bulolo – Leader of the Government) – Thank you Mr Deputy Speaker, for allowing me to participate in the debate.

Mr Speaker, before the 2015 Budget was announced, we made several re-bate statements about the 2013-2014 Budget with its negative impacts to PNG's current economy. Our commentary have provided visible evidence further supported by intellects and reputable citizens standing positions within each industry on the fiscal mismanagement of the economy by the current O'Neil led Government.

Mr Deputy Speaker, the statement we delivered on O'Neil's running of the economy was only to ensure that the Opposition gave their alternatives to get the best economic outcome for the country and all its citizens. With the announcement of the 2015 Budget, this has fallen on blind eyes and deaf ears as PNG further moves to an economy at the brink of melt down as the handed-down Budget is far higher than the last two Budget deficits with no avenue to repay. The O'Neil led Government is to be blamed for the situation we now as a country a facing financially and this must clack at the subconscious of all Members of Parliament, for the people who elected them and for this country we call our home.

Mr Deputy Speaker, we acknowledge the sentiments of the Treasurer. In the 2015 Budget he addressed that education, health, infrastructure and law & order are the priorities for us, but it is yet another cut and paste from all the Budgets handed down by the O'Neil Government.

Mr Speaker, agriculture must be of paramount importance and not as a supportive agenda to the already four mentioned priorities, given our growing population, a fertile rich

country and putting processes in place to be independent of other countries, in providing and giving mandates to our people to be providers to each other through accelerated funding programs in the agricultural industry. After all, this is logic as most of our population live in the areas and have always provided for our families through subsistence farming.

Mr Deputy Speaker, we believe that agriculture is very important in providing for this country's revenue and the citizens well-being but are trying to understand the Government's decision as to why not much money is given to agriculture.

Mr Deputy Speaker, evidence of the importance of agriculture sector is the clear statement in the Budget that the cycle has turned on mining revenue. It has indeed turned but the current Budget does not support the agricultural sector to develop PNG. It simply spends money on infrastructure through borrowed funds that is not underpinning the economic development of the country starting with the grassroots development of the rural communities.

#### **44/02**

Mr Speaker, my statement here alone reflects that the 2015 Budget is not about building our nation and providing opportunities for our people. It only means that areas in desperate need of government support through spending initiatives have missed out while the Government has chosen projects that reflect and support specific parties and regions only for political purposes and vote counting for the current number game and the 2017 Elections.

In the words of the Opposition Leader, it is termed as another political contractors' budget.

Mr Speaker, since last year's budget of K15 billion, another deficit amounting to K2.3 billion in the O'Neill Government's second term, there haven't been any checks and balances or reconciliations on the financial balance sheet of PNG's economy.

How are we to expect that these checks and balances will occur with the 2015 Budget now that it is announced at K16.1 Billion with the same deficit of K2.3 Billion, as last year?

The appropriate financial controls put in place, for a country that is rich in resources, to take advantage of what we have financially, has been manipulated and the weakening of valid solutions has only increased the nightmare PNG is facing and that is:

- (1) The inefficient mismanagement of the economy by the O'Neill-led Government.



(2) Their combined lies which contradict the real economic figures that PNG is facing; as well as

(3) The combination of corruptive practices with largest overspending by any government of PNG.

Mr Speaker, this has now been reflected in the fraudulent misrepresentation of the 2015 budget in last Tuesday's parliament sitting with no sighting of the public investment program book volume 3.

The Opposition still maintains that this requirement in respect of the omission of part 3 of the Appropriation (General Public Service 2015 Budget) Bill 2014 is a major irregularity and that Bill cannot proceed as it is.

Mr Speaker, the O'Neill Government must recall this Appropriation Bill and re-present it again in its entirety as to avoid this bad precedence to be repeated in the future, just like Prime Minister Peter O'Neill recently did as precedence to remain in office.

Mr Speaker, the Budget fails, in that, it does not look at the scenario where the landowners cannot fund their equity purchase. This will immediately take K2.4B in revenue receipts by this government out of the Budget.

This extraordinary reliance on the landowners who have not been fully compensated by the O'Neill Government for the UBSA matters will be a disaster that will be demonstrated by this economic mismanagement by the O'Neill Government.

The Opposition also fails to see who could be advising the landowners. Currently, the Acting Secretary of Treasury has had his business partner at Pertusio Capital advising the State. Has Treasury forced the same on the landowners which will result in the same illegal and disastrous illegal UBS loan? Is this going to try to cover up all the problems with the illegal UBS loan? The Opposition will be working on and watching this development very closely.

The declaration of the 2015 Budget and its deficit has brought about broken lies of deception, all because the Government is unable to manage an economy on the brink of admired worldwide development, yet we are following the direction of countries in Africa known for its resources, yet are in a poverty state.

The 2015 Budget will be part of a legacy to PNG, of which more than 7 million citizens would not wish for, an economy that promised wealth and richness for the country because of its resources but is now in a slow financial meltdown as we are now seeing the signs that PNG's economy is in a recession.

Mr Speaker, there is a further underlying perception that PNG is a high risk country further affecting PNG's credit rating and investor confidence. The Government can only be blamed with PNG facing financial challenging times and we need Members of Parliament to stand up, to make sure that we follow that road we predicted PNG to take in the 2050 Plan, rather than shortcuts that are not beneficial to all the citizens.

We are three years into the O'Neill-led Government's term and there has been no visible impact to education, health, infrastructure and law and order and they have been priorities for all the budgets with large allocations. Under the current government, our people are suffering from the broken promises that the current coalition government has put forward.

Mr Speaker, members only have to look in their own electorate and those that voted for them, to recognise what I just said:

The free education that the previous O'Neill-Namah Government put in place, has had its processes decreased and removed by the current O'Neill-led Government and it is no longer a success as envisioned.

#### **45/02**

There has been no visible impact to education health, infrastructure and law and order. And they have been priorities on all budgets with large allocations, Mr Speaker. Under the current government our people are suffering from the broken promises that have been put forward.

Mr Speaker, Members only have to look in their own electorates and at those that elected them to recognize what I just said.

The Tuition Fee Free Education that the O'Neill-Namah Government put in place has had its processes decreased and removed by the current O'Neill led Government and it is no longer a success as envisioned. Therefore we do not believe that the new allocation in the Education Sector of K1.9 billion will find its way to the appropriate education priorities.

The increase in the health issues have only been acknowledged by the current figures out in the market making the public health system dysfunctional, over burdened, over stressed and chaotic. Twenty years of explosive population growth and successive governments' inability to build the capacities to sustain the health services is creating these health problems.

To improve health outcomes we need to train 5000 nurses, 500 doctors, 1000 allied health workers and 100 new medical specialists every year and build the capacities of the

district health facilities to deal with medical emergencies and build the capacities of the health workforce from universities, colleges and schools.

Mr Speaker, out of the 89 districts in PNG more than 60 plus districts still need doctors, out of the 313 local level governments in PNG more than 225 still need at least an HEO while out of the 6131 ward areas in PNG at least 5700 ward areas need at least a nursing officer, community health worker or a village birth attendant.

It would require more than K2.3 billion funding per annum over the next 20 years to secure better health outcomes.

The Opposition does not believe that the new allocation of K1.8 billion will see positive outcomes when the overcrowding effect is increasing in our public hospitals, mainly in the urban areas as a result of the free health policy without any increase in beds and any renovations of the wards. A band aid solution is not the answer but it provides an opportunity for the Prime Minister to pretend that a difference is being made in the health care sector.

Infrastructure development has had another substantial boost in the budget allocation of K2.7 billion but this has been bottle-necked in Port Moresby and Lae with lack of major projects not even being developed in our rural areas.

Mr Speaker, let me remind this House again that this budget termed as a 'Building the Nation Budget,' is actually for building cities and facilitating wantok contractors and that the K2.7 billion will be absorbed through the awarding of contracts in the projects.

**Mr James Marape** – Point of Order! The Deputy Opposition Leader's statement borders on irrelevance and tedious repetitions inconsistent with *Standing Order 86*.

**Mr SPEAKER** – Your Point of Order is noted, but I must as well warn all the Members of Parliament, just be careful during personal reflections. Be careful of imputations of improper motives in your debates.

**Mr SAM BASIL** – Thank you, Mr Speaker, Law and Order is at a point where our custodians in the Royal PNG Constabulary and the Correctional Services are finding it ever more difficult to curb the ever increasing crime rate.

The allocation of K1.9 billion to curb an overriding social problem must be used efficiently to reduce the statistics while improving the capacity of those institutions to better function.

Mr Speaker, it does not even help when we allow politics to creep into the functions of the operations of the police force.

The Opposition still maintains that the Royal PNG Constabulary must remain neutral and be loyal to their constitutional duties at all times.

Mr Speaker, the much talked about DSIP, PSIP and the LLGSIP was also not delivered as promised through the appropriation act authorized through this honourable House over the years. Some provinces still have not received 80 per cent of their PSIP shares this year while some districts are still owed DSIP funding backdated to 2013. For example, my district is still owed K1 million from the 2013 financial year while this year we only received K3 million and a K2 million cheque that bounced, and with total amounts owing of K8 million out of the total amount of K20 million from the 2014-2015 allocations.

Mr Speaker, in a few weeks time the Finance Department will close down its accounts and go into hibernation. What will the Prime Minister say about all the outstanding DSIP, PSIP and LLGSIP, including provincial grants, most of which remain outstanding.

#### **46/02**

We understand that many big contractors were given priorities to be paid in the hundreds of millions of kina, so where is the Prime Minister's priority? Is it to the provinces, districts and to the LLGs or to the contractors? I think that every Member of Parliament knows the answer and there is no need for the Prime Minister to lie to us again. His actions have already proven of what kind of leader he is.

Mr Speaker, the LLGSIP allocation to the 313 Local Level Governments was drastically cut from K500 000 to a mere K100 000. The Government saved K400, 000 or a total of K125.2 million pulled the funds and lied to the Members of Parliament that their DSIP would increase and instead parked K5 million of K445 million into the National Planning Department.

The Prime Minister clearly demonstrated the Members of Parliament were incapable of delivering projects in their own districts and instead used contractors that he trusts and prefers to pay first before our DSIPs and PSIPs.

Mr Speaker, I do support the call from the Member for Hiri-Kairuku who came out boldly and spoke against the Government's lie of increasing the DSIP allocations to K15 million but instead it remained the same at K10 million.

Mr Speaker, as a responsible Minister back then in the O'Neill-Namah Government, we conducted many regional workshops to introduce the K500, 000 LLGSIP concept that show LLGs receiving those direct funding from 2013 and 2014 Budgets. The concept was initially meant to have half of the funds address the shortfalls in the village courts' magisterial services, village bad attendance, community health workers and the councilors ward record initiatives connected to the National Statistics Office.

Mr Speaker, during the implementation process the government did not pay attention to those specifics of the initial process that was set prior to the creation of the LLGSIP. In saying that, the 313 LLGs throughout Papua New Guinea has already incorporated the K500, 000 into their five year development plans to deliver programmes and projects at their level.

Mr Speaker, the withdrawal of the 80 percent from the LLGSIP is a slap to the face of the 313 LLGs presidents and their 6, 131 councilors serving in their wards throughout Papua New Guinea. Let me remind this Parliament again that the Executive Government, Provincial Governments and the District Governments are high up in the pyramid tower of power.

The Local Level Government is the closest to the people than we think. Let us not mess around with the people's government. Therefore, I urge the Executive Government of Peter O'Neill to return the K400, 000 back to the LLGSIP and urge all Members of Parliament to support their Local Level Governments by demanding the return of the K400, 000 back to the LLGSIP funds for the 313 district areas of Papua New Guinea.

Mr Speaker, like all previous broken Budget promises of the O'Neill led Government the 2015 Budget is described as providing an opportunity for our people. Nevertheless, these outcomes will not occur and the citizens of this country are not fooled by exaggerated progress as stated by the current coalition government. Therefore, you can quote me by saying that the 2015 Budget if passed will be the next step to our economy experiencing negative impacts we are all facing.

Mr Speaker, the whole of the 2015 Budget is based upon the contractual obligations to the Exxon affiliated liquid natural gas or the PNG LNG Project being exported to the Asian markets. This is definitely a historical milestone in this frontier country of ours. Nevertheless, the Opposition's supports stops there as the hard fact reality is that, all the over committed government spending in and outside of the 2015 Budget might not be able to be repaid.

Even though most of the revenues from this export received will be going to pay off the last interest accrued from these loans accumulated by this current government the K3.7 billion allocation for the Public Debt Service. There is no clear connection between the

incoming revenues, the expenditure relating to the running of the government and PNG is looking at the verge of not being able to pay what it owes internationally and domestically.

This is such that the O'Neill-Dion Government's financial mismanagement and high debt over spending is a reflection that PNG will not see the profitable outcomes in first revenue streams from our resources. This is a clear contradiction to what the treasurer is saying.

Mr Speaker, the Opposition does not confuse the O'Neill led government. We will give an example, the Budget says that the commodity cycle has ruined particularly on the development side so the kina has depreciated. The debt on overseas loans have blown out and so the actual cost of servicing these loans increase due to the falling kina.

#### **47/02**

The Treasurer has said that the lower kina value is good for exporters but there is no support for exporters in the Budget like our agriculture sector.

This Government is not helping the exporters and we are buying in more inflation with goods being imported into PNG at lower exchange rates.

The Opposition says that this is a spiral of debt dependency and economic mismanagement away from the people towards a process of selling off our assets to pay the current political grip that the O'Neill's Prime Ministership so badly needs.

Mr Speaker, in these challenging times of building an economy using the finances we acquire to better manage the revenue streams to enhance the development of the country, stated facts have further shown that over commitments by the O'Neill-led Government this has put further decline pressure on PNG's economy as PNG kina slides further on the default risk causing greater pain for the average citizen through increased inflation and cost of living, as already confirmed.

The O'Neill Government will have to absorb the exchange rate risk in repayment on a devalued PNG kina adding much more pressure to the 2015 Budget and what can be delivered to the people. What cannot be hidden is the fact that PNG will be further placed into a deficit meltdown when our future revenues are supposed to improve PNG's economy rather than be diverted into paying high interest accruals on large loans under the O'Neill Government.

Mr Speaker, PNG is on the verge of an economic meltdown similarly to what has occurred in European countries. Because the Opposition fears that under the O'Neill

Government PNG could default on major international loan deals like the illegal UBS loan and other loans due to the fact that there won't be enough mining and gas projects to create revenue payments to repay on these loans.

**Mr SPEAKER** – Honourable Deputy Opposition Leader, your time is up.

**Mr SAM BASIL** (Bulolo – Deputy Leader of the Opposition) – I ask leave of Parliament to incorporate the rest of my statement in the *Hansard*.

Leave granted.

*The rest of the Statement reads as follows:*

This is frightening when PNG's debt to equity level ratio has now exceeded the 35 per cent benchmark because of the O'Neill Government's financial mismanagement of the economy, a benchmark needed to be adhered to if PNG was to move into a Budget surplus, equitable inflation levels, improved appreciation of PNG's currency and high employment figures that would see PNG economically strong and financial robust.

'The forecast for the 2015 debt to equity ratio of 27.8 per cent is questionable and we are in challenging times, Papua New Guinea.'

To quote the Treasurer, "this Budget will create a more prosperous future for all of us" but if that is the case, the current coalition government has not led by example in their mundane progresses because they are concentrating solely on attempts to deviate budget allocations away from the important areas like agriculture, not in the best interest of the country, and the 2015 Budget is one of many platforms the O'Neill Government is using.

To date, the O'Neill-led Government has not provided proper accounting for the capital spending amounts required from the export earnings of the Exxon-LNG Project.

We all want to know the detail but no specific answer has come from the Prime Minister, Honourable Peter O'Neill. This was further confirmed in the April Parliament sitting when I raised specific questions to the current Treasurer, Honourable Patrick Pruaitch, who gave a generic answer that reflected the Government's confusion on the capital spending and export revenue amounts.

If the Treasurer's confusion is so forthright when a general question is asked, then the simple question of why are we selling off major equity holding in our State-owned Enterprises (SOEs) like PNG Power Ltd and Air Niugini?, and their answers 'the State of Papua New Guinea has no money' only contradicts Papua New Guinea going back to a budget surplus in 2018 and the O'Neill-led Government's statements of surplus funds coming into the country's accounts.

Mr Speaker, to highlight the matter, the 2015 Budget barely allocates funds to the State-owned enterprises. Given the train wreck that the Managing Director of IPBC and the Prime Minister are overseeing the Opposition. This can be seen that either this is a deliberate attempt to destroy the value of certain SOE's so they can be sold cheaply or that the SOEs are going to have to raise funds themselves however and wherever they can.

Clearly, the SOEs are Government entities that are responsible for certain basic living standard delivery points – power, water, sanitation and communications. The O'Neill-led Government has failed in actual delivery of basic services.

The Budget does not address the needs, and it is clear that new capital expenditure takes priority over the rehabilitation expenditure that is required to deliver basic services to every man, woman and child in this beautiful country. That is only going to develop a greater class divide in Papua New Guinea.

Mr Speaker, the 2015 Budget will not lead to our economic growth because it is a repetition of the past three Budgets by the O'Neill-led Government and what has been the positive outcome in the last three years of their term. The citizens of this country know the continuing negative impacts that they will face because they are currently facing them.

Government sector departments and provincial governments know that they have missed out on their requests in increase in source of funding, just to operate on a level beneficial for PNG's fiscal management, and the private sector are anticipating a loss in their revenues as we move into the New Year.

### **State of the Economy**

Mr Speaker, since the 2012 Elections, all the Budgets handed down by the O'Neill-led Government have relied mostly on lies! With the 2013 Budget, where was the recovery in the global economy when acid testing should have been made on the best-case scenario on and the worst-case scenario on either side of 2013.



The Budget is so that it, cover any discrepancies to these assumptions. With the 2014 Budget, it relied on lies ‘their multi-year investment approach’ with the major driver being the PNG LNG Project to bring in revenue and the assumption that PNG will go back to a surplus budget in 2018.

Once again, they are relying on the revenue from the PNG LNG Project in the 2015 Budget and this assumption is only realistic if the present day Government does not borrow outside of the Budget. Every organisation and individual knows this is not happening.

A perfect example of borrowing outside of the 2014 Budget is the UBS loan which the organisation still considers illegal. Based on supporting evidence, we will still hold the Prime Minister accountable for not following the management controls that has now exposed this country to a heavier financial burden. Added to this is the amount of international arbitrations. The current O’Neill Government has further burdened Papua New Guinea by covering up the Prime Minister’s misappropriation activities like the PNG Sustainable Development Program (PNGSDP) and the IPIC matters, all amounting to US\$300 million and US\$150 million respectively.

Mr Speaker, what makes this all worse is that the Budget does not take into account the funds that were left over from the original IPIC loan that were located in Singapore. The economy cannot function without proper transparency and either that K500 million has gone missing or it could be immediately applied into the consolidated revenue account and treated transparently.

The Prime Minister has also had to borrow to pay some of the State’s holdings in Nautilus and that lending program seemed to be hidden somewhere in the Budget.

The Prime Minister has defended his economic credibility with big statements that are meant to finish the debate. But the statements when looked at tells a story that actually underlines why this Government and this Budget is quickly destroying Papua New Guinea.

Mr Speaker, with the 2015 Budget, it is conditional on the underpinning of development and growth and surety for the people on the following factors (Page 7 of 2015 Budget Speech):

- Potential disruptions to the global economy having a negative effect on PNG’s trade and Government’s revenues, even though growth is at 15.5 per cent;
- Increase in commodity prices both in mining and agriculture, amounting to higher revenues;
- Increase in tax revenues from mining and petroleum taxes; and

- Revenue from LNG Project.

Mr Speaker, the O'Neill-led Government has used these conditions to push through an inappropriate 2015 Budget and the effects will visibly be experienced in our continuous currency devaluation and signs of high inflation.

This was further confirmed by the Bank of PNG (BPNG) earlier this year when they cautioned the current Government from raising expectations surrounding the windfall revenue which will flow into PNG's economy from the export receipts because improvements into PNG's economy will not materialize.

The current status of BPNG's Monetary Policy, as addressed by Governor Loi Bakani on 30 September 2014, only reflect that we are in times of non-liquidity, having a major negative impact on the very providers who activate our economy in distributors and suppliers who we stringently need to look after because without them, our economy will not function as efficiently as it should and the very reason is the O'Neill-led Government's financial mismanagement of the economy.

One does not need to be an accountant or the Governor of the Reserve Bank to realize that the activities associated with running a country, such as controlling, monitoring, organising, and planning are clearly not being followed to the very specifics of effective fiscal management. This is very contradictory when the leader of our country is an accountant by profession.

The O'Neill-led Government's priority of low or stable level of inflation will not be maintained.

Mr Speaker, our current state of the economy contradicts the content behind the announcement of the 2015 Budget. In terms of inflation, citizens of Papua New Guinea will have noticed that there seems to be a Government funding shortfall from its own rising stock from the Bank of PNG, namely the Government Inscribed Stocks (GIS's) and Treasury Bills (T-Bills) The spending that was meant to be done in 2014 and will be committed in 2015 will be from borrowed fund, not the market in PNG.

There is a visible fact that the O'Neill-led Government has failed in raising more than K1.28 billion in the GIS and T-Bill since the announcement of last year's 2014 Budget.

This is not because the rates are not sufficient but because the PNGs investment community and the international community has lost complete faith in the economic management and repayment of these GIS and T-Bills by the current O'Neill-led government.

This failure is reported clearly in the Central Bank's weekly auction results on their website and has been something that the Opposition has been following since our critique and warning of a negative economic impact of the 2014 Budget disaster last year.

By failing to raise more than K1.2 billion in GIS and T-Bills since the 2014 Budget announcement, BPNG is assisting with O'Neill's fiscal mismanagement of the country by printing money, to purchase all the GISs and the T-Bills that are not purchased by investors.

The printing of money by Bank of PNG for the O'Neill-led Government will lead to massive inflation problems in PNG. The inflation forecasts for 2014, as declared by the Bank of PNG, is currently at eight per cent (as at September 2014), contradicting the Treasurer's lies of a projected 6.5 per cent. I am predicting that inflation will increase to nine per cent and will further drive down an already negatively geared exchange rate of our currency.

This will mean that Papua New Guineans will pay more just to survive from day to day. And with the average family not having enough funds, this will led to greater law and order issues, higher unemployment and less certainty about the economy of PNG.

It cannot be coincidental that the party behind our economical downfall in the past has been PNC and the same party seems to be following PNG's current economy along the same path.

The O'Neill-led Government objective of a stabilized and strengthening of the PNG kina will not occur.

Mr Speaker, in terms of foreign exchange, the public debt spending allocation of K3.7 billion is contradictory to the O'Neill-led Government stabilizing and strengthening our PNG kina as our foreign reserves have drastically fallen due to the international loans and arbitration costs associated with the allocated public debt spending allocation, a result of O'Neill's fiscal mismanagement of the economy.

The announced 2015 Budget deficit of K2.3 billion is so reflective of the high debt overspending and major fiscal mismanagement that the 2015 Budget is now assumed by the Opposition to have a further hidden deficit of between PNGK5 billion and PNGK7 billion if not more.

One can be quietly confident that this hidden deficit has been passed on, thus a fundamental driving force behind the depreciation of our kina against the major foreign exchanges.

This is putting pressure on every person and company wanting to do business in Papua New Guinea and every proud Papua New Guinean trying to export their services to the international market.

Our depreciating foreign currency rate is now at US0.30 cents and AUD0.38 cent respectively; a decrease from US0.35 cents and AUD0.37 cents 12 months ago. And with the weakening kina, imports have become more expensive and with the circumstances surrounding Ok Tedi Mining Ltd, a major source of import receipts converted into kina has added further to a depreciating kina.

The O'Neill-led Government objective of transferring economic growth to strong employment will not occur.

Mr Speaker, in terms of employment, with agricultural increasing in international prices over the next 12-24 months, the Opposition believes that the strong economic growth not yet seen but advised by the lying O'Neill-led Government can be translated to our employment by taking advantage of the agricultural sector.

The Opposition still believes that agriculture must be a priority and an allocation of only K73 million in the 2015 Budget is embarrassing when most of our rural areas have employment capacity that could be the engine room for our economy where the logical decision would be to redirect revenues from the resources and mining sector to sectors like agriculture.

This is why I reiterate that we also need to prioritise the agricultural industry for the country's development and economic stability, to complement our ever-reliable mining and resources industry so that the economic gaps are filled in the event of what we are currently facing.

Mr Speaker, the 2015 Budget will fail Papua New Guinea and Treasury needs to be partly blamed for this.

Given the increase in commodity price, certainly all the claims by the O'Neill-led Government and Treasury that they prudently managed the economy, there is great discord that Treasury did not accurately forecast for all the revenues coming in as a result in commodity price forecasts due to the high debt borrowings associated with the O'Neill-led Government.

The Opposition believes discrepancies by the Treasury will be reflected in a downfall of the GDP growth (real growth) forecast of 6.0 per cent at the end of 2014. The Opposition further believes that GDP growth will be far lower in 2015 based on the reasons I have

already stated and the rebound of 15.5 per cent in 2014, as predicted by those across the Floor will not occur unless we make changes to put us back on the level playing track.

One of the positives-and many of them are rare-in this 2015 Budget, is the discussion on the Sovereign Wealth Fund (SWF). The Opposition looks forward to the processes leading up to the start-up in 2016. We only hope that the current high debt financing associated with the O'Neill-led Government will not derail the SWF process and its aims of benefiting current and future generations of Papua New Guinea.

### **Budget Strategy**

The Opposition is of the view to promote development and economic growth, support macroeconomic stability and address significant needs of Papua New Guinea. We do need adequate debt financing. Furthermore, the Opposition firmly believes that the debt financing needed should take into consideration the large domestic financing sources we have access to rather than acquiring all the debt financing in the international financial markets.

The access to domestic sources would be reflected in:

- Lower costs in real terms that do not involve the high cost associated with exchange rate movements;
- Fewer risks due to the risk premium associated with low sovereign credit rated countries like Papua New Guinea; and
- The opportunity to enhance an already vibrant domestic financial market.

An example of the latter is that the development of Treasury Bonds and the Treasury Inscribed Stock be sole on a secondary market like Port Moresby Stock Exchange (POMSox), to acquire the funding from the domestic superannuation funds, the local corporations, non-government agencies and the ordinary Papua New Guinean families who would willingly invest into the country's growing economy.

Mr Speaker, the Opposition would move on building a domestic bonds market so that the State's debt financing objectives would be met and maybe we wouldn't be open to such a large high-risk international debt-financing portfolio. For more than five years now, Treasury has been saying that they will develop a domestic bond market and an international bond market like developed nations have.

Treasury has failed even though we already have a precedent in place with a domestic debt instrument called the Sovereign Community Infrastructure Bond (SCITB) which was

funded by the well renowned superannuation fund, NASFUND and went to the infrastructure development in East New Britain.

Deputy Prime Minister Dion, I recall you acknowledging this proactive instrument for the betterment of your province under the services of the previous Minister for Communications, the late Patrick Tammur.

What we know is the current Treasurer signed off on this instrument and put the appropriation in place but Treasury and BPNG interfered because they did not support the SCITB due to the lack of delivering on a promise to develop the bond market in Papua New Guinea and with the O'Neill-led Government supporting debt spending, why wouldn't they acknowledge the current Treasurer who seems to be promoting domestic debt for prudential efficiency?

Mr Speaker, to date, even though it has been adjunct to act on this, Treasury has not progressed on the proactive debt financing in the domestic market and the following must occur for the development of the bond domestic market:

- There seem to be a sole reliance by Treasury on using superannuation funds to assist in supporting its deficit funding problems despite never admitting it made a mistake in interpreting the law on Treasury Bills. This is specifically the case for NASFUND where the Treasury failed in their duty to bring about bond market changes to Papua New Guinea for the betterment of Papua New Guinea while ignoring Nambawan Super and the un-contributed super shortfall that Treasury has in the budget every year but no plans to actually pay for this.
- There are changes to the *Treasury Bill Act* proposal that demonstrates Treasury did not understand the legislation as written and the role of the Treasurer in Papua New Guinea, the courts findings about the interpretation of the law, and most importantly, the fact that Treasury want to define a Treasury Bill as a loan where around the world in all developed and developing nations, a Treasury Bill is a security.

This has been the failing of the Treasury whereby they claim to be the saviour for all things but fail over and over for the people of Papua New Guinea and like the Department of Finance, the Department of Treasury needs to be cleaned out so that more stringent logical approaches need to be enabled. Because of these underlying processes, the 2015 Budget will not deliver for Papua New Guinea and its citizens because of:

- Treasury's current failure to raise additional funds domestically for the deficit because of past mistakes made within Treasury to control outcomes;
- The failure of Treasury to actually recognise that development loans serve no underpinning of value for the development of the State. In Parliament, the actual details of the development loans are never fully presented for scrutiny by the public. The reason being that the development loans Treasury have been eager to sign on for looked wonderful on paper – no interest for a period, low interest thereafter, long payback period.

What the Treasury failed to understand (or hide from the public) is that the conditions around the loans means that the cost of the funds are actually much greater than the published interest rate. A lot of the money actually stays with the development loan provider as it is their people that are then employed to study and make recommendations and contract decisions which usually go to an approved aid contractor which may be owned by the aid agency. There is a restriction on how the funds are spent and in what amounts per annum which actually inhibits development progress for the people.

Mr Speaker, an example of this failure was the announcement on the illegal USB loan and no details were provided. Treasury through the Acting Secretary of Treasury, have provided no details and despite the OC and PP investigations, the O'Neill Government still has a duty to act in a transparent manner and more so given the investigations and the detail about how bad this transaction actually is for PNG.

Prime Minister, your lone voice keeps saying that this is a good thing for PNG. Two reasons why this is not a good thing for PNG is that a collar limits upside, and from what the Opposition understands the best outcome for the country is about K70 million. The second reason why it is not a good thing is that the cost to deliver this equity holding is more than K500 million. To simplify for the Prime Minister so that he understands the basic accounting, spending K500 million to make K70 million where that K500 million could be better spent in health or agriculture demonstrates that there is nothing credible about the economic management.

Decisions are made for personal or political reasons, not for the social reason with responsibility that a government is required and is mandated to deliver.

Mr Speaker, the Opposition understood that any large borrowings that the government initiates must have constitutional authority by a Parliament sitting through the form of an

annual budget and not NEC to have the authority to approve on, can only initiate borrowings for budgetary purposes.

This also adds to a massive debt matter where the debt level is not the issue but the form of the debt which adds further to the contradiction that the 2015 Budget is 'Building our Nation' and will make PNG far worse off, in terms of sustainability and economic growth.

Mr Speaker, I will make further comment on behalf of the Opposition on the 2015 Budget in terms of revenue, taxation measures, expenditure, the government's responsibility for providing opportunities for our people, the Public Debt Service and reiterate issues in the 2015 Budget that contradict the O'Neill-led Government objectives to promote development and economic growth, support macroeconomic stability and addressing significant needs of our country.

But in terms of the Opposition's solutions and alternatives, we know what is needed to change the huge deficit precipice of where the 2015 Budget is taking our beloved country to, but I am sure that the O'Neill-led Government is far too busy trying to drown us in a huge debt situation to consider these.

### **Revenue**

Mr Speaker, with the reliance of the mundane assumptions of the 2015 Budget by the O'Neill-led Government and the factual reasoning that I have already stated, the anticipated total revenue and grants in 2015 of K13.5 billion will not occur. This will be further reflected in 2015 as Papua New Guinea goes further into deficit because of the fiscal management by the current O'Neill-led Government. We will no longer mention the revenues connected to the 2015 Budget as our prediction is that it will far less than predicted.

The Opposition, however, is supportive of the introduction of the Sovereign Wealth Fund (SWF) in 2016, as it has been factored in all the Budgets in terms of implementation. The reality for Papua New Guinea and the SWF is the contradiction that we are saving for future generations where development and actual service delivery is not being provided to the current generations, especially now when we are looking at a budget deficit blowout in 2015 and will look to get larger in 2016.

There has been continuous review and public updates of how the SWF will be managed properly for development as the funds mandated to it will be more rewarding for the country that allowing political friends to try to manage this fund. We also need to make the



SWF conforming to Papua New Guinea's advisors for their benefit without any understanding of the country that is us, Papua New Guinea.

### **Taxation**

Mr Speaker, in terms of taxation measures, the Opposition is supportive of the changes to the tax revenues coming into PNGF, as they do not disadvantage the average working Papua New Guinean yet. The Opposition, however, believes that the lifting of the income tax free threshold should increase to a minimum K18 000 to assist our citizens to be more diligent in terms of their savings and investment thinking and giving them excess cash to look after themselves and their family's standard of living.

This is central to our priority that agriculture must take precedence over infrastructure and by implementing this, a wages-enhanced economy leads to motivation and an economy that will be vibrant with citizens working a proactive, honest living that is reflective of a positively increasing economy. The Opposition would also decrease the personal income tax levels from the known 42 percent down to 35 per cent. For so long, citizens of PNG have worked hard and their efforts are passed onto the heavy burden of taxes.

These taxes have not seen a development that Papua New Guineans are able to touch, to acknowledge and be proud of being part of their own economy.

The increase in the income tax threshold of minimum K18 000 and reduction of personal income taxes to at least 35 per cent of income would be offset by increasing further, the taxes relating to corporations who want to operate in PNG; after all, overseas entities want what PNG has, in term of resources and landscape, and I am sure they would not think about the increases in their taxes, especially when its rebated back to their development contracts in making PNG a more developed country.

The current government's usage of tax rebates on corporations like Oil Search Limited and Curtain Bros is highly respected, and Opposition is supportive of this strategy.

The support stops here as we do not believe in relaxing tariffs in the O'Neill Government's 2015 Budget programme, that was cut and pasted from the 2014 and 2014 Budget.

This is because it will not contain inflationary pressures based on the arguments I have put to the Floor but disadvantage Papua New Guineans and local businesses from experiencing growth and being competitive against the international companies.

One example of why the Opposition will not relax tariffs is in our industrial and manufacturing sector where we need to protect local businesses, thus teach and support our citizens in promoting mechanical skills.

This is especially the case in substantially increased import duties where our mining and resources sector have opportunities in maintenance requirements and repair services that can be given to local businesses and not those that are based overseas.

Mr Speaker, the exporting of hard currency and jobs out of Papua New Guinea means that Papua New Guinea is missing out on the revenue and the up skilling of our citizens.

This practice can be transferred over to the housing sector where SME's should be promoted and advantaged for local producers thus import exemptions on items that can be sourced locally should never happen, thus we will continue to promote our policy of imposing tariffs on imports and higher taxes on those foreign companies that want what is ours.

Papua New Guinea should be supporting local companies to ensure we have our own industries and expertise to do these maintenance requirements and tariffs in these sectors will greatly assist in keeping jobs in our country.

This is further reflective of our agricultural industry and with the closure of abattoirs and lack of financing into this industry, you can quote me when I say, the current government will lose the 2017 elections because of not supporting our local farmers and agricultural producers.

Mr Speaker, on tariffs and other forms of restrictions, the government of the day needs to support local producers in job and teaching opportunities for PNG citizens and this will create a lot of employment opportunities for the local population and also increase revenue generating activities for the Government.

The Opposition is of the belief that important restrictions need to occur through tariffs and associated instruments. By doing so, the government of the day can support the existence of local industry and develop an education ideal through increasing the number of apprenticeships and university student practical experience. This will add to the amount of investment involved in helping local industries achieving their goals and promoting the economic development of this country that is preached continuously by the O'Neill Government.

## **Expenditure**

Mr Speaker, with expenditure, we acknowledge that the public sector needs to be reviewed and updated to consider the costs, efficiency and functions of this sector as this will add to controlling expenditure and contributing positively to our economic framework.

Furthermore, the Medium Term Fiscal Strategy (2011-2015) that has been put forward by Treasurer Pruaitch is also acknowledged by the Opposition but it goes back to the initial problem of the assumptions put forward.

The current economic status of Papua New Guinea is not marrying up to these assumptions and the reforms will not improve the delivery of service.

## **National Governments responsibility for providing opportunities for our people.**

Mr Speaker, with the predicted blowout in the 2015 Budget deficit, it has been transferred exponentially into the 2016 Budget. The O'Neill-Dion Government will not follow their promises to the people of Papua New Guinea and the Budget will be overspent with little to show for the allocated K13 billion within the Budget; their commitments according to their Alotau Accord are visibly failing and how can they empower our citizens when everything is lacking in free education, free health, slow development in infrastructure growth, rapid processing of our SME's and increasing law and order problems.

## **Public Debt Service**

Mr Speaker, I now come to the large public debt services allocated of K3.7 billion. PNG's public debt service was less than K1 billion over two years ago (2012) and with the loans including the illegal USB loan that the O'Neill-led Government has exposed us to, funds that can appropriately go to the development budget or capital investment component of the Budget is now being used to offset the high interest accruals and large costing associated to these loans,

This allocation of K3.7 billion is a phenomenal amount that's connected to the excess spending by the Government, as defined in the K2.3 billion deficit so my prediction is increasing deficits will continue into 2018 and beyond if we don't decrease our borrowings immediately.

## **Issues in the 2015 Budget that contradicts the O’Neill-led Government objectives to “Build our Nation and Providing Opportunities for our people”**

Mr Speaker, before I conclude on the Oppositions response to the 2015 Budget, I will make further note to certain issues within the Budget that contradicts the O’Neill-led Governments objective to “Build our Nation and Providing Opportunities for our people”. If I am repeating myself, it is only to reiterate the wrongs of the Budget.

### **PNG LNG-Revenue**

Regarding the PNG LNG revenue, it would appear that the Budget relies heavily on this revenue starting in 2015 and 2016 but this will be further impacted by the loss being held by the illegal USB loan but no details are provided on this loan or where it sits.

### **Illegal USB Loan**

Mr Speaker, in terms of the illegal USB loan, it is an AUD-denominated loan that does not appear in Table 24 as either a commercial loan or more accurately as a foreign currency loan. The total was for AUD\$1.25B.

### **Education**

The increase in education issues has only been acknowledged by the current figures out in the market making the educational sector not as functional as the Government would like us to believe. Twenty years of explosive population growth and successive governments’ inability to building the capacities to sustain the education sector is creating this huge problem.

To improve the education sector, we need to train 10 000 teachers and academics as well as build the capacities of the schools, vocational colleges, apprenticeship and universities to deal with increase in numbers. The Opposition does not believe that the new allocation of K1.9 billion will see positive outcomes when the overcrowding effects is increasing in the schools as a result of the free education policy and no increase in classrooms or renovations of institutions;

### **Health**

In terms of health, the funding for both the recurrent and development funding to train and recruit more health workers has not increased in the last two Budgets passed by this

Government. There is nothing in the 2015 Budget to increase training and recruitment of health workers in Papua New Guinea. The evidence is really against us. To reduce the transmission of TB and HIV/AIDS in Papua New Guinea, provincial or district isolation centres for TB and HIV/AIDS will institute mandatory testing and screening and isolation of all positives into the provincial isolation or district centres and treat and condition them before they are released into the communities. For TB one month of treatment and for HIV/AIDS until viral loads are almost negligible. This will be the most effective way of reducing the burdens of these two most infectious diseases.

Mr Speaker, improving the status of women's health and improving the maternal and the infant mortality ratios in Papua New Guinea through adoption of Safe Motherhood Strategies as well as building capacities to deal with medical emergencies at the district health facilities to deal with obstetrics and neonatal emergencies by building operating theatre, pathology and transfusion services, making health workers multi-skilled and multi-disciplinary including doctors and providing effective referral systems in communication and transport if we were to secure significant reductions in maternal and infant mortality ratios in Papua New Guinea.

### **Infrastructure**

Mr Speaker, in the works of the Opposition Leader, when it comes to infrastructure, the 2015 Budget is another political constructor's budget. I mentioned the slow development in infrastructure and the O'Neill-led Government has committed to various 'political' infrastructure contracts that they do not have the funds for. This 2015 Budget benefits some developers who have been awarded large contracts for road infrastructure within Port Moresby without regard to the essence of the budget infrastructure road development plan and our citizens needs of opening up rural roads so our rural population have access to corridors of development throughout the entire country.

### **Law and Order**

When it comes to law and Order, it is a key development socially and economically but there has been little actual tangible law and order improvements and little detail about what is actually going to be implemented to ensure law and order is contained as per world standards.

Mr Speaker, with our National Budget returning to a surplus, it is not likely to occur by the 2017 forecast for the reasons already given. The current Government need to decrease the

loans we are now exposed to and change how much it is going to spend; only then can we allocate to the priority sectors which have missed out and all the government departments and statutory bodies know.

### **Department of Treasury Operations**

With regard to the Treasury and their manipulations, the kina has depreciated and the interference by Treasury and the Bank of PNG has had massive negative effects. For Treasury to state that that kina has helped exporters lacks the understanding about the effects on the domestic economy as a rising inflation is occurring.

### **Reliance on Donor Funding**

Mr Speaker, there is still a reliance on donor funding. Where there is large amounts of funding being wasted through non transparent DSIP funds then this donor funding could be refinanced so that the foreign currency burden and also bureaucratic interference could be reduced and therefore funds will not be wasted on actual delivery of project and commitment of that funding

### **Focus On Capital Expenditure**

Regarding the focus on capital expenditure, the Budget clearly identifies that the 2017 Elections, the Pacific Games and the APEC meeting are drawing large capital commitments from the Budget. Although these commitments are required, they are being done at the peril of the grass roots development. Further it has been stated by the PM that there was no over run in the Pacific Games costs but there is for K250 million. A full breakdown on the Pacific Games costs and the contractors would be fundamental to supporting further capital overruns.

### **Lack of Spending in Agriculture**

Mr Speaker, the Opposition believes this to be a priority; the Budget clearly states that the economic cycle is turning back to grassroots development in PNG.

The grassroots level is agriculture, fishing and farming. There is lack of spending by the Budget in this area as compared to the new capital expenditure programs for the two major cities, Port Moresby and Lae and if we were in government, we would allocate close to K2 billion in allocation to the agriculture sector.

## **Conclusion**

Mr Speaker, in concluding, the O'Neill-led Government has made lots of commitments and comments about how it is developing this nation. But in reality, three years into this government, they are great at talks and poor at delivery.

In fact, the scorecard shows that there has been no significant development that has been completed or near completion and of those developments, the definition of temporary only glorifies it. The delivery of the Budget is about actual delivery and the 2015 Budget has failed once again. The 2015 Budget is politically staged and the short comings will be blamed on everyone except those that have actually put this together and the people of Papua New Guinea will actually miss out after believing they would be looked after.

The O'Neill-led Government is to be blamed for this situation, we are facing financially and this must be clutched at the subconscious of all members of Parliament for the people who elected them. Each parliamentary member's moral compass must give them the initiative to stand up for all those that voted them in, guided by a better country's economic management and a better future rather than what PNG's economy is negatively experiencing.

Members of Parliament must understand that the 2015 Budget that was announced is going to provide less to the very people who elected them.

Mr Speaker, the people of Papua New Guinea will realise what the Opposition already know. We now have a larger than expected 2015 Budget of K16.1 billion that will run increasing deficits into 2016 and 2017 as there is no realistic plan and no way will anyone that should take responsibility, will do so. Ever since the 2012 Elections, the O'Neill Government has handed down Budgets pushing Papua New Guinea into a declining growth rate and further into a deficit 'black hole'. We are on the verge of a depression, a situation that will be very difficult to return from and the Opposition place all the blame on the O'Neill-led Government.

The current state of PNG's economy is a direct result of the O'Neill Governments of PNG's economy is a direct result of the O'Neill Government's financial mismanagement and high debt over spending. Not even a historic milestone of the first export earnings from the Exxon-LNG project will impact on our economy as they will go to repaying the high accrual interests associated to the loans the O'Neill Government has burdened PNG with including the illegal UBS loan.

The citizens of PNG will experience continuous increases in costs of living, further devaluation of PNG's currency, high unemployment figures and a higher than expected

inflation that would see PNG with a weakened economy that has shown promise because of the valued resources the country holds.

The Opposition is not scared to demonstrate that the fiscal and the monetary mismanagement of the O'Neill Dion Government is not looking after the ordinary men, women and children in PNG as they promised. Papua New Guineans, be ready as the 2015 Budget is the match that ignites PNG towards a financial crisis and words will be significant when the very actions by the O'Neill government are the very reason why we are faced with a broken future. We are now a Papua New Guinea rich in resource, culture and people and that is all we can hold onto as a Budget surplus is a dream when it should be a reality in 2018.

The people of Papua New Guinea need real leadership and economic accountability, more now than ever. God bless Papua New Guinea is indeed now.

Thank you, Mr Speaker.

**Mr FANCIS AWESA** (Imbonggu – Minister for Works) – Mr Speaker, let me rise to contribute to the debate on this Budget.

Mr Speaker, let me state here that many of the Members of Parliament seated here in this Chambers have all travelled the world to America, England, Australia and we have been exposed to the kind of infrastructure on wharves, roads, bridges, et cetera, that are abroad.

Mr Speaker, I don't know what kind of lessons we derive from all these. The course of infrastructure is fundamental.

Mr Speaker, when we come back into our country we begin to change our way of thinking and talking and accept declining that all the big developments that are happening in the world are far from our reach.

Mr Speaker, we are global players and we have the Chairman of the World Bank with us but yet we have not learned a single thing of the courses of infrastructure when Papua New Guinea is moving.

Mr Speaker, in the last two years we have had unprecedented change in infrastructure and has trickled down to the rural areas in regards to district roads provincial roads on highways.

Mr Speaker, it is sad that here in this Chamber we sit here and blame each other saying that this is the cause of so and so. As leaders, do we want our country to go back to a traditional society we left or move forward as developing country?



Mr Speaker, with these windfalls from all our resources and booming projects we really have to seriously think about progress.

Mr Speaker, if you are talking about big companies are getting all these contracts tell me a national company that is big enough to do all these jobs.

*(Members interjecting)*

**Mr FRANCIS AWESA** – Well, Opposition Leader, I have been doing these kind of things all my life. You haven't done any of these things that is why I am telling you.

You must listen to me.

**Mr SPEAKER** – Honourable Minister the *Standing Order* does not allow you to point fingers. Please address the Chair.

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**Mr FRANCIS AWESA** – My sincere apologies. I have been interrupted by the Opposition Leader.

Mr Speaker, let me commend the Prime Minister and the Treasurer for being very supportive of my ministry and with infrastructure development this country will move in terms of supporting small and large businesses to grow and what has happened in the last two years and in the next four years will see so much change come up in the economic development and progress of this country. The next four years if we continue to spend the same level of funding as this year we would expect to see 1000 kilometres of sealed roads of highways, city roads, district roads and catching up on the deferred maintenance that is going to cost about K3 billion.

Mr Speaker, if we continue to spend the same level of funding this year we will catch up on the deferred maintenance on the next three years such as the highlands highway and some of the other highways will see big changes. What we are trying to do in the Works Ministry regarding contractors, we are mindful of the fact that many of these big contractors are foreign and it is a situation we cannot avoid. I am trying to review this situation and if Cabinet approves next year, we will try to encourage 40 to 50 per cent local participation with the national companies involved as subcontractors and if Cabinet approves that will become a policy.

In terms of small contractors trying to participate in big contracts, we might review the 10 per cent bond which is one of the prohibited issues with national companies trying to participate in big contracts because of our requirement of 10 per cent deposit. For example, if there is a K50 million contract put out by the Government, national companies trying to participate must put in 10 per cent cash as a guarantee but most of these companies don't have the money so that is the problem we have. The former treasurer and former Minister for Works and Transport is fully aware of this and if he had the concern for supporting small contractors he would have fixed this problem. Next year, we hope to review this situation and hopefully our national companies will participate even to the extent where the 10 per cent requirement is wiped.

It is a good Budget and we can't all be happy, but for me especially I would like to commend the Treasurer, the Prime Minister and Deputy Prime Minister and Cabinet and members of the Government for supporting me in the infrastructure Budget. I commend the Budget to the Parliament.

#### **MOTION BY LEAVE**

**Mr JAMES MARAPE** (Tari-Pori-Minister for Finance) – I ask leave of Parliament to move a motion without notice.

Leave granted.

#### **ALTERATION OF HOURS OF SITTING**

Motion (by **Mr James Marape**) agreed to –

That so much of the *Standing Orders* be suspended as would prevent Parliament sitting beyond 5 p.m. this day and that the Parliament adjourn on a motion to be moved by Leader of the Government Business or any Minister at any time.

**Mr BIRE KIMISOPA** (Goroka) – Thank you, Mr Speaker, I also want to contribute to this debate on the Budget.

Before I do so, I would like to commend the Prime Minister and Treasurer, and also if I may commend the Opposition spokesman on Treasury

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I thought the debate he presented today was robust and also encouraging that we can sit like this with mutual respect and listen to views expressed either side of the Parliament.

Mr Speaker, it's a unique privilege and an opportunity to be able to stand on this Floor of Parliament, not all people can have this opportunity and for those of us who are privilege enough to sit in this Parliament, it is indeed a blessing.

Mr Speaker, we have this unique responsibility and opportunity on this Floor to be able to look, make comments, assist and formulate on the Budget. On one hand, people can see with some degree of conviction that we are representing them, and it has been a difficult task.

Mr Speaker, if we were to asses the O'Neill-Dion Government they have done extremely well and I probably rank them as 8 out of 10 in terms of the direct intervention into rural PNG, and that has never been done before. I speak for all of us on this Floor that we ought to congratulate the Government for its bold initiative to be able to make that kind of critical investment into rural PNG so that we can see Schools built, roads constructed and see all kinds of public investments into the 89 districts.

Mr Speaker, on this Floor I raised a number of issues concerning our fiscal opportunities going forward and I have been consistent in some of the comments made on this Floor; one of which is population growth and I have advocated the idea that we should curb population growth, otherwise if we don't our investment in health and education will not be sustainable in the future.

Mr Speaker, sustainability perhaps is the most important issue now for this Government. We are making huge investments into the public arena. Whether we can sustain that kind of public expenditure investment remains to be seen. On the one hand I am quite fearful that sometimes we lose focus on our people and try to appease the economic commentators who are singing from a different song sheet. They may be living in Australia and making comments about this country when this country is completely different. Only 10 per cent of our population is actively involved in the formal sector, 80 to 90 per cent are in

informal sector. So a GDP growth rate is not a true reflection of this country, an income per capita of this country is also not a true reflector of our well-being of our citizens. That is not the bench mark and the measuring tool.

Mr Speaker, in this regard, I would like to make a few comments on the Budget which are very important; the Government proposes to balance the Budget in 2017 and hopefully turn it into a surplus Budget 2018 and onward. I don't think that's achievable, in my view that's pushing the envelopes a little bit too far considering the level of debts we have in this country.

Mr Speaker, there are too many unforced liabilities that seem to creep into our public expenditure, and in 2017 I believe we will see a blow-out in the election costs. To run a National Election will be very expensive because it's always the case. Now that every Member of Parliament have K10 million and DSIP to spend, I am pretty sure there is at least 50-60 intending candidates for every one of the 89 districts and the cost will be huge. We have not done anything substantial in terms of medicating that cost. The other problem I have with the issue of budgeting is the overrun in personal emoluments.

This year 2014, we had to provide for additional K250 million, now there must be something going on in Treasury and Finance. They need to fix this issue so that we don't see a blow out like that; if a blow out is going to be presented before this Parliament at least anywhere between K5-10 million is reasonable to expect and not more than K250 million.

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So the proposition that we should balance the Budget in 2017, maybe is a little bit too optimistic. The other suggestion which would reduce our debt is the proposition that we should sell some of our equity in the LNG back to the landowners as part of the agreement.

In the Budget it does not say exactly how much but given the nature of negotiations in the country and the prolonged issues that surround it, this would be a hard one to sell in terms of putting a figure as to how much the State will give to the landowners in Southern Highlands and Hela for a percentage in the LNG project.

That in itself and it can be safe to say that it will be unrealistic to balance a budget in 2017. I am of the view that if there is any move to bring the debt under control, we start to seriously consider the Government offloading some of its shares in Oil Search. We hold 10.1 per cent shares, which is approximately 149 million shares that the PNG government has in

Oil Search. It is something that the Government must seriously consider to offload a little bit of that.

The company as it is has a very poor dividend history. The highest it has paid by way of dividend since 2012, is 12 cents in a dollar. It has never paid more than 20 cents. Going by the Budget book, it has returned only K7.9 million into the PNG consolidated budget this year, by way of dividend.

This is something this Parliament should seriously consider and that the Government should take on board the quick way to get away from the Oil Search share register. I fear that in terms of the LNG agreement and the existing agreements that were signed off and if it is proven to be more than what were signed off, we are locked because if they find more gas or oil than the estimated amount, we will be stuck with them forever.

Mr Speaker, that is an option the Government can consider but if it chooses to retire than the most logical thing is to sell some of our shares in oil shares. We are a big country and the Budget as it stands with the internal revenue turning over roughly about K10-11 billion a year, and if our friends in Oil Search choose to give us K8-10 million, I consider this to be chicken feed.

A number of issues in the Budget have been covered by Members quite eloquently and I would just like to briefly turn to what I consider a slap-in-the face for the private sector in the country. I sincerely hope that we can have a look at that and try and remedy some of the problems that the private sector has in the country.

Mr Speaker, the World Bank came out with a business ranking of about 189 countries in the world. And PNG ranked 133 out of 189. In other words it means that it is very difficult to start a business and access credit in this country is very difficult. These are some of the impediments facing growth of the private sector in the country by comparable standards around the world.

I think it is important for us to critically have a look at the kind of investment we need to make in the private sector. I would have hoped that we would have less company tax from 30 per cent down to at least 20 per cent. Considering we just raise the Minimum Wages, we are paying a lot more.

The business owners in this country will be thinking what is going on with Honourable Sir Puka Temu.

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The businesses in this country will be wondering what is going on with Honourable Sir Puka Temu, he seems to be turning his head perhaps he has never paid wages and taxes before but they are paying considerable amounts of money.

*(Laughter in the Chamber)*

**Dr Puka Temu** – Point of Order! I think my brother is going below the belt. I have served this country for thirty years and I have paid my taxes fairly. Can you ask him to kindly withdraw that statement

**Mr BIRE KIMISOPA**– Thank you Mr Speaker, I withdraw that but it is becoming synonymous with me and Sir Puka, when I am talking.

Mr Speaker, as you would appreciate that the beeper goes on. But, Mr Speaker, my point is that businesses are struggling in this country.

Despite wage fixation commencing next year, small businesses in this country are paying a lot, we are already past the minimum wage. I am not talking about the foreign companies; I am talking about our people who are running businesses in this country. They employ a lot of people from the villages and they are the social security net of this country in the absence of a social welfare check from the PNG government. If someone dies, they will pay for funeral expenses; if someone is getting married, they help pay bride-price and pay school fees. They are the ones who are paying and we have to have recognition of the fact that they are struggling; they are finding it very difficult in our own country.

These are business owners, what is there for them in this Budget. These are things we have to look at. The minimum wages have gone up, the cost of diesel have gone up too, mind you, I thought it will come down, Mr Speaker, if the oil prices were going down the cost at the bowser should go down.

Mr Speaker, they are paying K4.00 per litre in Port Moresby and I am paying K6.40 for a litre of diesel out of Goroka. For someone to traveling to Madang, it is better to fly by airplane than traveling by road because it is expensive.

There is a whole host of issues affecting the private sector there is hardly any insurance anymore. Insurance company's premiums have gone up and we have done very little in that area. Insurance premium have gone up so now companies have gone into self-

insurance and for those Papua New Guinean citizens who are in the private sector and who cannot afford to pay the higher premiums, what do they do?

They stick their necks out and when they are robbed, they lose everything so they find it very tough operating in the country.

Mr Speaker, we need to look at these issues. The Budget cannot be just numbers, there must be places for people in the Budget. The Budget is for our people so they must find a place in the budget so the private sectors growth we come out with a bold statement.

I applaud the Minister for Trade and Enterprise who has been leading in the front. He is proposing that we increase the SME participation rate from a low base of 4 000 and take it up to 50 000. We should be doing that and there is a system but our people are not excessing credit.

Mr Speaker, the Government can be good at doing a few things but it cannot do everything, some of these things can be done by the private sector. When I say private sector I mean our people who are running fast food outlet, taxi service, bus services etcetera they cannot be paying extra economical amounts for fuel and petrol, these are the things we have to look at.

Mr Speaker, in the business ranking put out by the World Bank there are number of impediments in terms of business registration, access to credit and the one thing that didn't come up and is more obvious and is prevalent in Papua New Guinea is the cost of security, this country is overrun by security guards.

Mr Speaker, imagine security guards at Hospitals, hospitals of all places. There is no gold, silver or copper there but the cost too high.

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We can mitigate the high cost structure in this country. We should allow our citizens who are actively involved in businesses to prosper in this country otherwise we will have a big gap between the small business and the big business dominated by affluent foreigners who are owners of real estates and invest money while sucking out all the profits out from this country.

What do we have? Should we sit back and only talk about high GDP growth and debt to GDP ratio low. Is that what we sing all day along? We are more than that, Mr Speaker. We have our people and we owe it to them and this is one of those opportunities and I

sincerely hope going forward next year, the Government must take stock of some of the things that we said. The sooner we care for the population, the better it is for us.

Taking into account what the Prime Minister said and I quote: ‘we did not tell them to have more children’ end of quote. But we have to tell them to stop and that is important otherwise the cost will continue to increase. We are heading towards 230 babies birth-registered every year and that is how far our population is increasing in terms of growth rate.

In ten years time we may have over 12 million in population so these are real issues we are dealing with. We cannot be singing LNG, let’s just stop this nonsense and settle down. Let us have a good look at our people and start thinking people first. I think we have a long way to go.

I am running out of time so I just want to thank the Government for the DSIP. I think without the DSIP our people will not realise the district services in the rural areas. That is a significant and a milestone policy initiative by the Government and they ought to be congratulated. I take my hat off to the Prime Minister and all the Cabinet Ministers for doing a fantastic job.

Mr Speaker, I do not know whether there is a typing error because I noticed that there are two different Page 4 of 34, maybe there is an insertion but I think it is a minor issue and we can overlook that because the substance is already been tabled.

With those few remarks, thank you, Mr Speaker.

Mr **ATI WOBIRO** (Western) – Thank you, Mr Speaker. I speak in support of the Budget as a first time Member of Parliament. I do not know what happened before my time but I can only speak for my personal experience in the last three years.

When I assumed the role of the Governor, I picked up a province that was in disarray. I was discouraged to see the enormous task that was played ahead of me but coming into this Parliament and being part of O’Neill-Dion Government gave me hope. I think one of the greatest policies developed by this Government has been the strategy to redistribute the benefits of growth to our people.

There was a lot of negative commentary in the past about city central based development. I have now seen that some of the benefits from the growth is growing and touching the lives of our people.

In the three years that I have been in Parliament, I have seen small but significant change in our people. So whenever I go to deliver projects in my electorate people are telling



me that I will be in power forever. This is not because of what I am doing but because of strategy at the provincial and the district level.

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Mr Speaker, as I speak, my seventh EMTV signal has just been received in Mogulu, Western, a very remote area. They are watching this debate now and I am sure they are thinking, whose benefits are the leaders talking about.

Last weekend I opened another one in Morehead. People are seeing what we are debating in this Parliament that is supposed to be their House. We are supposed to be discussing their issues, not our issues, issues that touch their lives and not our politics.

I am pleased with the way the Budget has been formed. The Budget has targeted two very important aspects of development in any country and these are growth and development.

We must continue to pump money into infrastructure, into enabling factors that will make our country grow more. At the same time we must distribute the benefits. Some of the previous speakers have spoken about the importance of supporting local businesses. The Government deliberately set up the PSIP, DSIP and LLGSIP as a way to spread the benefits. And I hope that the Prime Minister will continue with it over the full term of our time here in this Parliament.

One disappointment I see in the Budget is the reduction in the LLGSIP. I think this is where the Open Members and governors have to step in and support our LLGs by giving them more grants. It is not about waving our own flag; it's about supporting the third level government.

Mr Speaker, we are receiving a lot of money and I am concerned about the success rate in implementation. It is not about what kind of money we are getting but whether or not we are delivering on the ground. And I will suggest, Mr Speaker, that early each year, perhaps the Department of Treasury or Planning could enter into an agreement with all of us, both governors and Open Members to nominate at least three impact projects that we must implement next year. And our performances or lack of it should be based on those key projects. It is important that we commit ourselves to delivering.

Mr Speaker, finally, while I have the opportunity, I want to mention something about the PNG LNG or the oil and gas industry in this country. But before I do that I want to thank the Prime Minister for accompanying my three Open Members; the Open Member for

Telefomin and I to Western Province and to Telefomin to launch a project that is going to be funded by our DSIP and PSIP. We are all going to put our money together.

For the first time, we are going to build a road from Tabubil to Telefomin. Anybody who has any doubts about whether these strategies of PSIP, DSIP and LLGSIP are working should go to Telefomin.

This is a landlocked place, everything that the Member has taken there he took by plane and he has built new hospitals and new schools. He has also build an airstrip and bought a plane for the district. This strategy is working. We just have to be committed in making sure that we deliver.

Mr Speaker, on the LNG Project or the oil and gas industry, I see this as one of our great opportunities. We are talking about a limited basket of money in public finance but if we develop these new resources and take advantage of the new opportunities we have such that the districts and the provinces are further resourced.

#### **54/02**

A lot of infrastructure development will be left in the hands of our provinces, districts and LLGs.

Mr Speaker, I think about some Bills that the former Attorney-General was trying to put in, a bold step towards restructuring and redoing the mining sector. This was especially towards the LNG in this country regarding its production, benefit sharing and ownership.

Mr Speaker, I for one would like to see that debate resurrected because that is the way to go. This is because I feel in my heart that all the effort that we are doing now in developing these resources are being driven by outside interests. The key people here are the landowners and everything that we do must be for their interests.

On this note, I would like to see the Western Province as one of the gas and oil provinces. I would like to see that these resources be developed for the benefit of our people are not being dictated to by interests from outside. I want to see my people benefit and I know all of you who have resources also want to see your people benefit.

Mr Speaker, nevertheless, I am thankful for this Budget and I know that if we continue on in the same way in the next five years our people would have seen great change. This is because I know my people and we have bought a plane to bring sick people to the hospitals. Women who would have otherwise died in the bushes are now being brought to the

hospitals. We are also paying for all our tertiary students' school fees and we are doing things that they have never seen before.

Thank you, Mr Speaker.

**Mr WERA MORI** (Chuave) – Thank you, Mr Speaker, for giving me this opportunity.

On the outset, I would like to commend the Treasurer for presenting the Budget in whatever circumstances and by the same token had a debate put forward by the Opposition and the Opposition's spokesperson for Treasury.

Mr Speaker, I now stand to have my say in this debate but I will not descend into national perspectives or dwell on statistics that has been presented on a global perspective. Nevertheless, what I would like to say is specifically reflects the thoughts and aspirations of the district that I represent. Also, the fact that I come from the Chimbu Province, I will also speak for the province.

Mr Speaker, every year when we come for the Budget, it is like coming to a dinner table. There are many of us at this dinner and so of us get fed well while others us have got to wait for scraps and if there are some leftovers then we can take it home with us.

Mr Speaker, Chimbu Province missed out on the Budgets for 2013 and 2014.

Now, under the 2015 Budget I can see DSIP and PSIP funds reflected like the funds for PSIP projects which is a welcome. Nevertheless, the Government has built only one bridge that connected Wahgi to the south of the province where only 10 percent of the province's population lives whereas the rest of the 90 percent lives in the upper part of the province.

Mr Speaker, before I continue, just at the beginning of September of this year, there was a village called Gun. There was a road that linked Onuma village to Gun but it was cut off for 25 years now. One night a 15-seater bus turned up at that village and that very night the people there cried as if it was a funeral wake. This was simply because after 25 years the people were surprised to see that bus arrive.

I then drove up to that village and they thanked me but I told them not to thank me but instead thank the Prime Minister, Honourable Peter O'Neill and his Government simply for the fact that funding was made available through the DSIP so that I could rebuild that road.

Mr Speaker, the interventions and direct interventions from the government to bring development to villages like Gun in Chuave and many other places as well throughout Papua New Guinea is very much welcomed.

**55/02**

We need to move forward. The opportunities that are provided are not the same in each province.

For those of you who come from resource-rich provinces like the LNG Gas, Oil, Gold and Copper are privileged. But those provinces that don't have such extractive industries I plead with the Government to give us an opportunity where we are able to do so.

Mr Speaker, I was promised a K28 million cement project and I would like to ask where is it reflecting in the Budget? If that money is parked somewhere, I would like to plead with the Government to allocate that money to my District Treasury in the 2015 Budget.

Mr Speaker, the people of Chimbu may not have any resources but this country must not forget that we have provided some of the best human intellects in this country. We need to be respected and counted too.

The Highlands Highway runs through Chimbu and it is the most problematic section in the entire Highlands Highway. That highway is a very important economic corridor similarly to the LNG Gas pipeline running all the way through to the coast.

Mr Speaker, why is it that every time we are always overlooked? I tell you with the continuous frustrations the people of Chimbu will one day take the law into their own hands and block the Highlands Highway to state their demands and I am sure the Government would not want to go there as yet.

Mr Speaker, I appeal on behalf of the 400 000 people that live in Chimbu province to allocate the cement project and it must be made available so that we can start this project at the earliest opportunity.

Mr Speaker, it is not the Chimbu province alone, take Central province for instance, the people wanted to grow rice and what is so difficult about growing rice?

When I was in high school in 1971 I ate rice produced in a place called *Banyet* in Maprik and in Bereina. If Rice can be grown 45 years ago, why can't we grow rice now?

Mr Speaker, when we fly across to Chimbu or Goroka we see a lot of flat plain across the west part of Central Province. The land is good to grow rice in abundance.

Mr Speaker, these are the opportunities that we must make available. Those benefits and developments are centred around constructions, mines and extractive industries are only polarized around a very certain well defined community or sphere of influence.

Mr Speaker, but if you put it into rice I am confident that it will have a multiple effect. The benefits will spin off to a lot of people. It will also be a major part of import replacement. How much rice are we importing? I know Trukai Industries is telling us that we cannot grow rice for whatever reasons but we must not protect their interests in this country.

Mr Speaker, I must state that I have no interest in growing rice in the Central Province but these are sort of realities we must take on board.

Mr Speaker, the people of Karimui-Nomane refused to import rice to their district and they went ahead and started to grow their own rice and they actually survive on that to this very day. If they can do it, I cannot see any reason why we cannot do it.

Mr Speaker, this Budget is supposed to spell development for this country. Over the next five years we will be spending K305 million on the Highlands Highway but in the 2015 Budget we will spend K125 million only. In which province, Chimbu, Enga, Western Highlands, Jiwaka, will we spend that K125 million.

Mr Speaker, I slept at Chauve last night and had to drive from the eastern part of Chimbu province to drive across the entire Chimbu province to get into Kagamuga airport to fly down here.

## **56/02**

And the condition of the road in Chimbu province is worse. The entire road segment of Chimbu is 65 kilometres and it will probably cost just under K2 million per kilometre whilst we may be spending K10 million plus per kilometre in NCD. There is nothing wrong in building roads in NCD or Lae city for that matter, but sometimes the pricing mechanism must be correct because the challenges faced along the highway is far more serious than those faced in the urban centres because we may be only maintaining existing roads or building new roads that may not possess the same geographical terrain difficulties.

Mr Speaker, these are some of the realities that we have to bear with. Sometimes when we come here we pretend to smile but I don't want to pretend any more because we have been left out for so long. We must be provided the opportunities such as the cement factory and give us the challenge and we are going to prove it.

**Mr MAO ZEMING** (Tewai Siassi-Minister for Fisheries) – Thank you, Mr Speaker, for giving me this opportunity to make a few remarks on the 2015 Budget.

Firstly, I would like to join the other honourable members in congratulating the Treasurer for the delivery of another Governments record money plan.

I also wish to extend my congratulations to the Ministers, Minister for Finance, and Minister for National Planning for the invaluable contribution to the construction of this Budget. It would be remiss of me not to congratulate our Prime Minister Peter O'Neill for his sterling leadership stewardship and guidance which was pivotal in the design and formulation of the 2015 Budget. The 2015 Budget is not only record making in our political history it is doubtfully the peoples Budget. It is reflective of the O'Neill-Dion Government's commitment to our people. We promise the people that we would make every effort in taking advantage of the economic opportunities to restore the dignity and empower them and create a better future for our children. The O'Neill-Dion Government since taking office in 2012 has begun to deliver on its promises and the 2015 money plan is premise on this.

Mr Speaker, the evidence are all right in front of us. In two years this Government performed beyond the imaginations of many of our critics in the country and abroad.

In every corner and breath of this country in towns and in villages changes are happening. These changes are due to this Government's direct policy interventions which are proficient with resources in the successive Budget and again in 2015. A million more children are going to school largely attributed to the Governments free tuition fee policy. I am proud that this O'Neill-Dion Government will not only continue but is dedicated in the development of our human capital with a total allocation of K970 million . We believe that our country's future lies in our children and education is the key in creating a secure and healthy future of our country. That is why education is the centre piece of the O'Neill-Dion development agenda. I want to thank the Prime Minister and his Cabinet for making a bold decision to allocate an addition K5 million to the districts services improvement program specifically for the development of the rehabilitation of the education and health infrastructure in our respective districts. This is another additional of K445 million bringing the total to K1.5 billion which is going directly to serving our people in the provinces in the districts and local communities.

**57/02**

For the first time in the Tewai-Siassi District we are making real investment in education, health and road infrastructures. Our electorate is one of the poorest and most neglected since independence and as result our people have lost hope and purpose in life and respect for Government and political leadership at all levels.

But this is now changing and people can see light at the end of the tunnel and the hope and purpose in life are being restored. I see and witness everywhere around the nation that development is taking shape in the villages, towns and country as a result of the Governments strategic investment. Education, health and infrastructures at all levels have been upgraded and improved. Roads, bridges, churches, airstrips and wharfs have been restored and rehabilitated. Infrastructure and law and order sectors have been equally attended to such as housing and police stations, which have been upgraded nation wide. Public Home Ownership Scheme and the District Housing Scheme and DSIP for health and education and the National Housing Corporation plan for the housing sector have been addressed. Missing links around the country have been attended to result in providing accessibility for our people for vital services, checking our people into business to a policy which the Minister for Trade and Industry, honourable Richard Maru is championing and improving our community base leadership structure through the increased allowances for councilors and village court officials.

I am glad for the first time real and tangible development and services delivery taking place in our districts, towns and cities in this country.

However, it saddens me to see a few people including the Opposition are criticising the Governments performance. Just in two years, changes are happening everywhere and I am proud to be part of this Government which is making a big difference in the lives of our people. But I want to tell the people that this Government under the leadership of Prime Minister, Peter O'Neill will not be distracted and we are totally committed to the cause which is to restore our people the dignity and hope by empowering them and creating a safe and healthy future for our children.

Therefore, the 2015 Money Plan is truly the people's Budget. The fisheries sector, which contributes much to the country's gross domestic products; double its contribution of 16 per cent from 2011, this is largely due to the Governments strategic policy intervention which encourages more foreign direct investment in downstream processing of fisheries

resources. This investment has also created many new jobs where more women are now employed. As a result, benefits are flowing down to the family levels than ever before.

The Government through the fisheries agencies have invested than K200 million in the last three years in the fisheries infrastructure such as jetties and providing finance and technical assistance to many of our local districts.

Mr Speaker, construction of 2 jetties at a cost of K5 million in collaboration with the Kiriwina-Goodenough is serving the people and attracting more foreign tourist to the Island. Due to this investment and effective policing of fishing licenses and regulations; we have some remarkable improvements in our revenue performance. As a result, we have paid the National Government close to more than K200 million in dividend in the last years including 2014. This makes us the single entity to pay the largest dividend to the state and a challenge to the other state entities.

The Government has recognized this and continues to support the fisheries sector in successive money plan which is the same in 2015.

I am grateful for the Prime Minister and the Cabinet for their continued support and confidence in the fishing sector. We are very much focused in planning our activities in pursuing of social economic objectives and in doing so we are working closely with the private sector to ensure that our fisheries sector resources are only harvested in economically sustainable manner but also bring direct benefits to our people and the country.

**58/02**

Mr Speaker, before I conclude, I urge everyone to support this Budget because each district will be getting K50 million and our people are watching very carefully. Once again, on behalf of the Fisheries sector and my people of Tewai-Siassi, we commend the Minister for Treasury for making this a truly people's budget.

**Mr KELLY NARU** (Morobe) – On behalf of the people of Morobe, I want to thank you for the opportunity to contribute towards the debate on the Budget. A lot has been said about the Budget and I have just a few points that I wish to add to what has already being mentioned.

I have a few remarks that I want to add from the point of view of a politician who has been in the public office for just over two years in the position of provincial Finance



Minister. I want to share with this Parliament of my experiences, particularly with respect to my province.

My province covers nine districts and 33 LLGs and about 568 wards. As we will all appreciate that when it comes to development the issue of course is not in my respectful judgement, one of money or funding. We have adequate funding and allocation made to the provinces and the districts although in some situations there is always the problem of funds being allocated late.

What I have appreciated in my position as the Governor of a big province comes with challenging responsibilities accorded to my government in terms of according service to some very remote parts of this nation. This is the practical reality of delivering service to the most remote districts on the ground.

I am not referring to Lae or Markham or other districts accessible by road but places like Kabwum, Tewai-Siassi, Finchhafen and Menyamya. Over the last years, I have come to appreciate that the biggest problem and the challenge with all the budgets that we have planned is not actually the funding but the practical aspect of delivering the service in terms of whatever sector it relates to.

## **59/02**

In terms of law and order, infrastructure, and etcetera we sit and talk of money plans and pass budgets and so on but the actual task of delivering that service to the people that matter most you will realize that it will come back to the Public Service Department.

The Public Service machineries are at the province and district level, many a times we come back and say, this Public Service is not working. They are not working because large amounts of money are allocated but they did not build the health center, they did not build that classroom. The inspectors in education are not going down to the rural schools to inspect the teachers at work to assess their performance and to assess their schools.

Through our experience in Morobe we have found out that this comes about because we are not supporting the service delivery component of the service development budget that we pass year in year out.

Then this becomes an impediment of actual practical delivery of that sector development that we want to deliver to the districts more particularly in the rural areas. In my province for the last couple of years, when we come to appreciate that problem we then decided from our provincial budget from the Internal Revenue.

In our provincial government now we have locked in a component that is called Service Delivery Component and this component is locked inside the development budget for the province and we are not supposed to divert or misuse any funds but it is supposed to go straight into delivering the service, whether it be health, education or law and order to where it matters most.

I would like to share this experience with all you members of parliament and encourage our government to park huge sums of money into the development budget. We have been putting in a lot of money into the PSIP, DSIP and many other development programs such as the PIP but to drive the implementation of the actual programs to progress and develop in a particular area we will still go back to Public Service to do it.

I have noticed that sometimes we break up our budget 20/20 or 10 for the administration and all this but it will not meet programs because that is purely discretionary and the governor or the member will be doing this in their own liking and at the end of the day services will not be delivered.

I would like to suggest that in future budget if the government can take note, we should seriously look into locking in the budget a service delivery component at maybe 20 per cent. For example, if an electorate is given K10 million for its DSIP funds, K2 million should be locked in for service delivery. This K2 million will cater for the Public Service to carry out or run the program so that it can be achieved. This is one very big problem that I have seen.

Otherwise, we can allocate money towards these projects and other things but the money allocated for this will be broken down to pay for the contractors on cost of logistics. For example, if we were to move materials from Lae into Kabwum for a project of K500 thousand, almost K200 thousand will go into the cost of transportation and logistics and the actual project on the ground will fall short.

This is an experience that I would like to share with you all and suggest that in future, Planning and Finance Department should seriously look at the development budget and look in a service delivery to ensure that the sector that it is supposed to drive actually gets served.

**60/02**

That is the money that all the public servant will use to implement that program. So that is one of the suggestions I would like to share with you.

Mr Speaker, I want to take this opportunity to thank the Government for the impact and development projects established in Morobe Province as well as increasing our budget.

Mr Speaker, I would also like to thank the Minister for Works particularly for the rehabilitation of Lae roads. The roads in my province have been improved and I am happy to announce to the House that we are no longer title holders of 'pot holes city' but you are most welcome to come to Lae city of cement.

Mr Speaker, through the Chair, I also grateful the re-development of the wharf in Lae. This project was delivered on time by the contractor within budget. The second phase will continue as funding has been allocated. I thank the Government for recognising my province and for also funding the fisheries project in Wagam Wharf.

You may be aware that currently there are four fishing canneries that are off the ground now. So Lae city is now shaping up to become the Tuna Capital of the World. The rehabilitation of the Wagam Wharf is timely and I thank the Government for that.

I thank the Government for injecting money into the highlands highway project particularly the redevelopment of Polye Highway from Lae to Nadzab. The contactors have been slow to pick up but I urge the Works Minister to take note and get them to speed up the process.

I thank the Government for supporting the city of Lae to be the host of the 6<sup>th</sup> PNG Games. The PNG Games has been a success and I commend those governors and members who participated during the official opening of the Games.

The outcome was as anticipated and I thank Governor Powes Parkop for the challenges you gave me. I suggest we extend this support to other provinces who will next host the PNG Games. When the Games come to an end this Sunday it will be handed over to the next host of the Games, West New Britain Province.

**Mr SPEAKER** – We are talking about the Budget so do not digress.

**Mr KELLY NARU** – Mr Speaker, I am referring to the Budget to support our young people. The PNG Games is uniting all our provinces together and the Government must seriously take this into consideration. I also want to suggest that in the development budget allocation must be done to DSIP and PSIP to cater for the social sector component.

**61/02**

As we have now broken it into agriculture, health, education, infrastructure, law and order and economic empowerment but I want us to have a social component as well.

This social component is supposed to support our young people in areas such as sports to keep them busy so I want Treasury and Planning to set up a guideline in our development budgets to put in funds to support development of the social sector. That will be even better.

It will not only be for sports but it can also be diversified to support the work of churches and such groups.

These are some of the suggestions I have but otherwise I commend the Government for a good Budget. In actual fact, I have been here for two years and have experienced many changes and I am impressed.

Despite the fact that the Opposition provided some very valid points in their debates I see that this Budget is good and I stand to support it.

Not every Budget will be good; sometimes we may have some disappointments on budgets but as I have some grievances on some components of the Budget but that is minor. I will humble myself and support it so we can pass it.

**Mr WILLIAM POWI** (Southern Highlands) – Thank you, Mr Speaker, I also wish to join in the debate on the Budget.

Firstly, I want to take this opportunity to commend the O’Neill-Dion Government for the wisdom and foresight to frame the national budget.

Mr Speaker, the challenge for the honourable Members of the Opposition, as we have heard today, is in many ways easier than that of a learned colleague in Government, for it has always been easier to seek to tear things down than it is to build things up.

It is an easy task to attack the Government for not spending enough money on this or that endeavour or on that part of the country.

Mr Speaker, every single Member of this House will be able to point out that some personal projects or some personal priority has gone unfulfilled in this Budget. Indeed the old saying that, ‘much wants more,’ is a very fitting description of many of us here in this House, in particular the Members of the Opposition. It almost does not matter what the government offers to us and our constituents, we will still be more focused on what we did not receive.

But, Mr Speaker, the challenge and craftsmanship in governing is evident in the setting of priorities and in sticking to this notwithstanding firm and vocal criticism.

Mr Speaker, I stand here to commend the O'Neill-Dion Government for setting the priorities and sticking to the cause led out by the vision.

Mr Speaker, making the most of the resources we have and laying a platform for growth of those resources is the yardstick by which every government will be judged.

Mr Speaker, I believe it was the famous British poet, Rudyard Kipling who once said and I paraphrase, 'those that dig deep foundations fit for realms to rise above with little honour from their generation and many more, the tallest mountains gain stature until we reach the plains.'

Mr Speaker, we can only see the true majesty of the mountains when we ourselves stand at their foot, in the same way we often miss the depth and strength of a buildings foundation until we realize that it has maintained the tallest building for a hundred years.

And, Mr Speaker, in the same way as Kipling's foreshadowed, I can see how the Members of the Opposition's words demonstrated shattered glasses and failed to see the deep foundation that the O'Neill Government has been laying over the last few years in Government. It is clear how they have missed out the infrastructure foundation that has been put in place. As we speak and as I stand, the roll out of which has been intensified in the 2015 National Budget will in due course represent a foundation fit for our realm to rise above.

## **62/02**

Schools, teachers, hospitals, nurses and doctors have the same impact on the lives of our people as roads and bridges, ports and airports.

I am proud that slowly but surely, and this is not only my opinion, Mr Speaker, I think that it is being publicised, that the world is taking note of the foundation that our country is being built upon.

Mr Speaker, I also need to draw this discussion to the ANZ Bank's recent publication and I think their authorities clearly articulated there with a show of confidence in the current Government's intervention in the Budget. The Asian Development Bank (ADB) and the recent World Bank group and a host of other sources echoed the value of the O'Neill-Dion Government's heavy focus on developing PNG's physical infrastructure with a view of capturing the long term growth and development prospects of our people. This is the show of confidence that authorities have towards the Government's Budget and the intervention that the Government is making. Therefore, I stand here proud in testimony to that, Mr Speaker.

I believe that the 2015 National Budget will be delivering more and better roads in more places on a more affordable basis. I see investments in airports and ports aimed at underclocking the transport at risk of our strong economy.

Mr Speaker, international institutions also continue to emphasise the need to develop our most valuable natural resource and that is the hard working resourcefulness of our human capital, which is our people.

Mr Speaker, more and better education through better physical infrastructures such as schools, libraries, higher education institutions and as well through better human resource management through teachers training colleges will increase the opportunities for our young Papua New Guineans to excel in life in the coming years.

The 2015 National Budget continues the O'Neill-Dion Government's dedication towards improving our nation and ensuring that we are equipped for the next phase of our development. Our Treasurer has announced a series of strong commitments to the nation building infrastructure across many sectors and touching a great number of towns and districts in Papua New Guinea.

Mr Speaker, those that criticise the expenditure on roads and infrastructure in our main urban centers I have this to say; cities are the nerve centers of modern economics. Without making our main cities such as Port Moresby and Lae internationally competitive and equipping them with infrastructures capable of coping with the next 20 years of growth. These gateways to investments and development will become clogged and withered.

Mr Speaker, we recognised that this would be negative for all Papua New Guineans including people in the districts and rural areas.

Mr Speaker, besides this, let us not underestimate the magnitude of the challenges but also the enormity of the opportunities that flow from Port Moresby by hosting the 2015 South Pacific Games and the 2018 APEC heads of government meeting.

Mr Speaker, I do represent people from outside these major urban centers but let me make our position clear. We are proud of the achievements of the current O'Neill-Dion Government and we stand by it to continue to support the intervention programmes as certified by renowned authorities in the way in which the Government is managing the economy of this country.

Thank you, Mr Speaker.

**Mr GARRY JUFFA** (Northern) – Thank you, Mr Speaker, for recognising the people of Oro. I, too, would like to join my colleagues and add a few comments to the money plan presented by our government.

Whenever there is a construction of a Budget and the presentation of it, there will always be unhappiness. Not everyone will get what they wanted and so, there will be some bitterness and murmurings here and there, and that is understood.

Having said that, I therefore would like to thank the Government for their intervention in ensuring that the DSIP and PSIP funds were made available. They are making an impact to some degree and I think that it is up to everyone of us to find the delivery mechanisms and make them work.

I am having a challenging time in my province and I am learning from it, and hope that next year onwards, myself and my two Open Members can sit down and figure out how to do that, so that our people can get the services that they deserve.

*(Members applauding)*

**Mr GARRY JUFFA** – These are just some insights from my perspective on what has happened on the Budget itself.

**63/02**

I want to point out that the Northern Province has missed out on our Special Support Infrastructure Grant in the 2015 Budget, but I am also grateful that the Prime Minister has made an undertaken to make it available so we are optimistic that he will deliver.

Mr Speaker, provinces such as the Northern Province is a non-performing economic province. They don't have gas, oil, gold, silver and so forth. But there are Papua New Guineans who are equal shareholders of this great nation we call our home. So they deserve attention as well. They cannot be forgotten.

Mr Speaker, my province is also vulnerable to economic and natural disasters that are beyond our control, like fluxuation in prices of commodities, and the fact that we have global warming as an issue and we have disasters or disaster like situations. We need special attention in that area.

Mr Speaker, this year we did not get the complete component of a fund that was promised to us for disaster relief. We missed out on a K3 million, when K5 million was

promised. We had hoped that this K3 million would build a disaster management centre so that we can respond in real time to our people in those areas which are affected by such situations.

Mr Speaker, I would like the Government to take note of that and not only for Northern Province but other provinces that are susceptible to such disasters. That must be improved and funding must be released immediately because there can be loss of lives. Any Government's fundamental objective is to save lives.

Mr Speaker, my province requires as much assistance we can to improve our revenue streams. We get about K2 million in GST returns but the province generates so much more and most of those funds are diverted into Port Moresby and Lae because the companies that are operating in Oro have headquarters in these two provinces. We are missing out on substantial amount of GST that should be paid to our province.

Mr Speaker, therefore, the SSIG is very vital and important and it was budgeted for five years but we missed out this year and, hopefully, I say again, hopefully, next year we won't miss out.

Mr Speaker, let me just make a few points in regards to some observations. I take this time to thank the Government for the Public Service Review Committee. That was an idea that I had proposed and has now been given legs, breath and resources. We must address this issue aggressively and effectively because it is the public service machinery that is expected to deliver the Government programs. If we don't fix the problems it will never deliver those Government programs to our expectations fuming frustrations from all of us. Just like in my province, my two Open Members and my provincial government are victims of that machinery. We want to deliver but it's not happening in real time.

Mr Speaker, if we can fix that system, we can ensure that not only able to deliver effectively and efficiently but we can remunerate our public servants in a manner which will ensure they are productive.

Mr Speaker, right now many of them are living in settlements and villages and are paid very poorly and that is one of the reasons why they are not delivering; they are unhappy.

Mr Speaker, I commend the Government on the Tax Review Committee but I want to say here that I have had the opportunity to have a quick glance at what that Committee has done and it is repeating the same mistakes it has made for the last how many years whenever there is such a Committee Review, where ordinary people miss out.



I have had the opportunity to make an input in that and I wanted to suggest that the ordinary Papua New Guinean taxpayer have a reduction in taxes from 35 per cent to 20 per cent. This will ensure that at least we are able to ensure that the benefits from this economic development that we are all experiencing is transferred to our ordinary Papua New Guinea wage earner.

Mr Speaker, I would like to say that we should remove all taxes on resignation and retrenchment benefits.

There are Papua New Guinean workers who complete their service in the public service and when they retire a substantial chunk of their money is taken away, when they have worked hard for it and deserve that money. They need to go home build their homes and start their small businesses and retire with satisfaction.

Mr Speaker, I would like to suggest that Papua New Guinea businesses be given tax holidays, incentives, and even promoted abroad.

## 64/02

Many economies do that, they promote their businesses in other economies because they understand that the revenue stream coming into their economies will help boost economic growth. We are not doing that and many Papua New Guinean companies continue to struggle without any assistance from our own Government while we continue to assist multinational corporations that don't really need this help.

I would like to commend the Government on the National Security Policy to develop a vibrant intelligent community. However, we have approached this in a half-hearted manner. We have failed to understand the most important role that such a community plays and that is to produce vital intelligence so that we can enhance decision making, so that we are not victims of transnational crimes and economic hit-men and such entities that come in here to exploit our people and our ignorance.

We must take a step further and put these organisations in line and restructure those organisations so that they are modernised and relevant to our needs so that half-baked NEC submissions are not concocted at *buai* markets and bars and brought before us. We must ensure that we are very careful in how we approach trade agreements and any other such negotiations that will have a significant impact upon our people today and in the future. If we don't do that we are ensuring that others have control of our economy and our future. We should always make sure to be in control.

We also need to fast track any legislative amendments to remove neo-colonialism that exists and is giving us crumbs in the forms of royalties and mini-skilled taxes when we could be earning more from our own resources. We talk about free health and education, and I want to commend the Government on continuing that policy but let us look at the quality. It can be free but it's worthless if there is no quality there. We need to look at the quality and improve the number of doctors that we have and have the infrastructure that we have in place so that we give our people quality free health and education.

One of the greatest threats that we face is population growth. We are adding the equivalent of one small province that is about 200 000 to 300 000 people in our country's population every year. If we do not have a population management policy that is effective or if we do not fund the efforts to educate and create that awareness amongst our people, we are only creating more difficulties and problems for our future generations.

I want to thank you, Mr Speaker, for giving me the opportunity to speak and that in this short time that I have been in Parliament I have seen some great changes taking place in the country and in the Parliament. When I first entered, the Parliament looked like a trade store but it is now looking more like a Parliament and the credit goes to yourself and your management.

**Mr SASINDRAN MUTHUVEL** (West New Britain) – I thank you for giving me this opportunity.

I thank each and every Member of Parliament that though it is past six o'clock, everybody is doing hard work and debating on the Budget. I am probably hungry because we missed out lunch today.

Mr Speaker, I would like to join my other colleagues to also participate in this Budget debate. Let me start by congratulating the Treasurer in bringing this 2015 Budget record of K16.2 billion.

Mr Speaker, maybe there are some short falls but whether we like it or not that is the reality that each and every 89 districts and 22 provinces there are activities currently going on in terms of education, health, law and order and other infrastructure programs simply because of the DSIP and PSIP initiative.

While I congratulate the Government, I also would like to place on record, although I cannot speak for the entire country, I only had time to look at what is meant for our province.

Mr Speaker, West New Britain is one of the agricultural province which has a land mass of over 25, 000 square kilometres and a population of over 500, 000 people.

Mr Speaker, we need to really come up with some effective formula and I appeal to the Treasurer, the Finance Minister and the Planning Minister to really look at a formula that is workable for the entire country. Time and time on I have seen that the Budget is basically decided by how many districts each province has rather than population, geographical difficulty or what they have in terms of service delivery. West New Britain has only two districts because the Electoral Boundaries Commissions report was not implemented .West New Britain is supposed to be a four-district province and because one LLG in my district has an average population of over 50,000. Bialla LLG had a population of more than 70, 000 populations and was later divided into East Nakanai and Central Nakanai.

Mr Speaker, I find it hard to comprehend how the message is not communicated through the respective departments like the Inter-Governmental Relations, when the Government gave the approval to create new LLG's in some provinces like West New Britain and New Ireland and even in the Treasurer's district.

For three consecutive years since the creation of these new LLG's, they have missed out on the LLGSIP funding. For the last three years Tanaka LLG in my province has never received any LLGSIP. If the Government gave the approval or endorsed the creation of that additional LLG, how come this information was not conveyed to the respective agencies like Finance, Treasury or Planning to include it so that the LLG receives its funding. That poor LLG continues to suffer because they do not have any infrastructure because they just separated from the East Nakanai LLG and they have nothing to start with.

## **65/02**

I don't see anything wrong in giving the power to the provincial government to generate some additional revenue. The former Treasurer who presented the 2013 Budget in his time amended the *Inter-Government Relations Act 2009* to an extent where it says, *if any Provincial Government which generates any other form of tax revenue then it will be disqualified to receive that 60 per cent GST component.* And that is totally unfair, Mr Speaker, what we were actually generating was 20 toea per bottle of SP beer and not from anything else and 3 toea cigarette and that alone generated K4 million revenue to the Provincial Government and we have stopped by way of legislation or amendment to that particular Act when 2013 Budget was presented.

Since then I have been continuously talking about it and approaching the Ministers but I couldn't find any solution to it and the last option was through the court.

Mr Speaker, the GST was generated from my province and I have every right to claim from that GST. Even before this oil and gas commenced operation, West New Britain has being the largest agricultural province and we have been continuously contributing to the economy of PNG and we are. And not just through form of taxes but also on intellectuals; most of our men and women hold high positions such as Governor for Bank of PNG, Registrar of Political Parties, Secretary for Health and Secretary for Transport.

Inspite of all these contributions to nation building, I am still finding it very difficult to attract some attention from the National Government and it saddens me a lot.

I would like to thank the Governor of Morobe Province for supporting us to host the 2016 PNG Games.

Mr Speaker, if you ask whether we have all the necessary infrastructures in place, We don't have all these infrastructures but we are really desperate to be recognised as other provinces such as East New Britain, Lae and Port Moresby. And what is wrong with that, Mr Speaker?

I am not happy with my two brother Governors from East New Britain and National Capital District for saying that I am incapable of hosting the Games in 2016. They should be looking at means and ways to assist me rather that speaking negatively.

Just because you have this opportunity but I will not compete until I establish West New Britain to be recognised. My province has not been recognized and most of the recognition is given to other provinces irrespective of whether they contribute to the economy or not.

Mr Speaker, it's quite disturbing to note that West New Britain is a house for all of us here today. One of them is Governor for Central Province he was there when I first started my business. I have the entire 22 provinces living in West New Britain and also contributing to the economy of West New Britain and country as a whole because of this oil palm development.

Mr Speaker, we only give lip services on agricultural sector but in reality nothing has been done, and I fully support the Member for Sumkar, Honourable Ken Fairweather and other Members who mentioned about really growing agriculture.

We need large scale agriculture industry in this country if we really want to grow the economy to help many people to generate income.

I also want to thank the Government for allocating additional K5 million through the 89 districts and having restrictions on how to spend the funds; K3 million on education and K2 million on health.

Mr Speaker, that's a great intervention and it's going directly to all the districts to see some kinds of developments.

## **66/02**

Just because we have only two districts in the province, for so many years we have just been receiving twice the DSIP K10 million and the PSIP which is a total of K30 million. Ideally, had we had four districts, we would have received K80 million. I am quite disappointed that last year through the support of the Planning Minister, he managed to convince the Budget Committee to put a special support grant for infrastructure for at least K5 million, which was apart from the additional K10 million.

This is not to complain but to put on record what we missed out in this year's Budget. There were some funds committed by the Prime Minister and sent to us through the Department of Works who are the implementing agency, especially regarding the Talasea ring road. It was committed during the opening of the police barracks. Ten million kina was appropriated but we only received K3 million.

Seven million kina was taken back with the promise that it would be brought back in the 2015 Budget but it does not show. There were a lot of painstaking efforts being put in order to prepare PAP submissions like scoping and feasibility and also to submit within the deadline. It is insulting because inspite of doing all these there is nothing to show for. We are not talking about any different proposal outside government priorities.

It is government priority to establish teachers' colleges in all 22 provinces. We are talking about teachers' colleges and nursing college because we have every reason to ask for these colleges because we lost over 150 of our people while in search of knowledge, travelling to Rabaul on the ill-fated *MV Rabaul Queen*.

West New Britain does not reflect infrastructure or the economic importance of my province and I feel very bad to continuously talk about WNB just to seek some kind of attention from the Government because even when you talk about the region, West New Britain never gets mentioned, it is always East New Britain maybe because they have prominent leaders and even the Prime Ministers and other senior Statesmen. We respect and

aspire to grow like them. The Tolais are so enterprising and have clean and hygienic environment with one of the most beautiful markets.

We also aspire to grow like any other developed province in the country but the reducing of the LLGSIP will definitely add a burden to all, including Open Members and Governors. They are one of the third legislative arms where they definitely deserve the support. They are the people on the grounds who actually implement many of the government projects and I appeal to the honourable Treasurer, the Planning Minister and the Finance Minister if they can find ways to help the LLG.

Mr Speaker, while we want to host the 2016 PNG Games, I also put an appeal to the budget committee and the senior Ministers to support us because we don't currently have all the infrastructure that are in Port Moresby or Lae. We are also aspiring to at least have one infrastructure and that is one stadium.

It won't be the size of an Olympic stadium but at least we have a stadium facility to cater for five or more sporting codes to use. This is so that West New Britain can also host these games successfully. I would also like to appeal that having a budget is one thing but implementation is another.

Being in the system I know it is extremely difficult to get things done and I congratulate the Government because I know how difficult it is just to build a lousy double classroom in Kandrian district or one of the remotest parts of the province. It takes almost 12 months for me to visualise one double classroom when I see overhead bridges and big roads all coming up in a short period of time.

**67/02**

In fact, it is extremely difficult to get things done and that I salute the Government for implementing those projects.

Mr Speaker, some way forward, in terms of implementation, I also appeal for the timely release of funds whether it be recurrent expenses or the development budget. It is extremely important so that the projects can be implemented on time.

And also, Mr Speaker, we must invent or create a formula as to how we can address the situation to bring about equitable distribution of wealth.

Going back to my point on generating additional revenue, Mr Speaker, we must allow all the provincial governments to come up with ways and means to generate that additional

revenue within the province. That is one way to reduce or to avoid the provincial governments' dependency on the National Government for development funding.

Also, Mr Speaker, some mode of consultation must be established with those budget committees or ministers who are in a position to decide on the budget because it is only the public servants who are invited to come and present what their recurrent budget is. And it is not easy for the public servants to really convince the National Government on our developmental aspirations. There must be some consultations where the governor should be given some direct opportunity to discuss with those key ministers where we can express our developmental aspirations.

With that, Mr Speaker, I once again congratulate the national government because it was not an easy task to put all those figures together and come up with the budget. We know the difficulties involved because we experience them when trying to formulate our provincial budgets, so I really commend the Government for being able to come up with an increased envelope of K16.2 billion, especially to focus on infrastructural development throughout the country. I thank the Government and all those involved in this budget preparation.

**Mr BELDEN NAMAHA** (Vanimo-Green River) – Mr Speaker, I would like to present the Opposition's overall assessment and perspective of the Budget.

Mr Speaker, the Opposition believes that the 2015 Budget is bordered on fraudulent misrepresentation.

Mr Speaker, the Prime Minister's continuous defiance of established systems and processes surfaces in the 2015 National Budget.

**Mr William Powi** – Point of Order! When this honourable House debates on national issues, you must debate on the issues and their substance. It is not proper to make inferences here, it is not good. The people are watching. The debates here must be of the highest standards and you don't need to make inferences of names of people.

**Mr SPEAKER** – Your Point of Order is in order. You are reminded, Leader of the Opposition, to be mindful of your statement.

**Mr BELDEN NAMAHA** – I am trying to lead Parliament to see some of the fundamental breaches that we have made in this Parliament and my conscience troubles me.

And if the Governor of Southern Highlands can sit down and listen carefully and then go back and read your *Section 200(1)* and *(2)* and *Section 197* of the *Standing Orders* then you will be fully briefed.

**Mr William Powi** – The ruling has been made.

**Mr BELDEN NAMAHA** – A ruling was made but I am making my statement. I reserved my right to the statement until now.

Mr Speaker, the manner in which the 2015 Budget was presented is highly irregular. It is the first time in the history of this nation that the Government has come to this Parliament ill-prepared to present its budget.

This serious blunder is an absolute mockery of the legislative process by the Executive Government. This Government has, time and time again, demonstrated that they not only are willing law breakers but they have no regard whatsoever of systems and processes, let alone the legislative processes in this House which you are the head.

These blatant acts of defiance of the budget appropriation process, Mr Speaker, must render the General Public Services Appropriation Bill 2015 improper before this Parliament for the third and final reading.

Mr Speaker, you have ruled already but let me remind this House that the order in which the Executive Government has come and presented this Budget is not proper. The Opposition believes that it should be re-presented because of the fundamental error that the Executive Government has committed.

**Mr SPEAKER** – Honourable Leader of the Opposition, there was no fundamental error. I have already explained the *Standing Orders* to you and so I think you have to withdraw that statement.

**68/02**

**Mr BELDEN NAMAHA** (Vanimu-Green – Leader of the Opposition) – You continue to rule that is okay but you are setting a bad precedence for the future government.

Mr Speaker, I should remind you that this is your Parliament. You are the head of the legislative arm of the Government. The Executive Government is accountable to you and the honourable members of this Parliament.



The Executive Government must not be allowed to run over this Parliament and dictate the processes or abuse the temple on the processes of Parliament. You have a duty to protect the dignity of this House and the integrity of the processes of this House. To do otherwise would make you share and accomplish with the Executive Government in the act of destroying the fundamental fabrics of government and state of this beautiful nation of ours.

**Mr SPEAKER** – Honourable Leader, I must remind you that you may be disrespecting the Chair. I think you should concentrate on the structure of the matter.

**Mr BELDEN NAMAHA** – I would like to lead the Parliament to the horrible and shameful story of this Budget. While presenting the budget speech, the honourable Treasurer has leaked something which was not part of his written speech. This was done between his reading of paragraph 4 of page 4 and paragraph 1 of page 5 of his speech booklet.

What the Treasurer has leaked appears as paragraph 5 of page 4 of the amended and revised speech and the Treasurer will realise that he has two speeches. One was presented on the 18 of this month and one he may have received on Friday.

While the Treasurer has leaked it through his speech, Mr Speaker, you will recall that earlier in the year the opportunity to purchase Oil Search shares arose and the O’Neill-Dion government made a decision to purchase 10.1 per cent stake in the Oil Search shares.

As part of the 2014 Supplementary Budget and in accordance with Section 209 of the *Constitution*, we have appropriated for interest payments and it is anticipated in the next month National Petroleum Company that PNG will refinance this transaction and take ownership of the shares.

Mr Speaker, this Budget is bordered on fraudulent misrepresentation because this statement is a testimony of the rush and irresponsible nature of Government’s decision to buy or to purchase the shares while disregarding the established norms and practices.

They have no idea where the shares will be parked. They have not considered loan servicing plans and this is obvious from loans financing agreement which is a very broad stand that states that in the event that the Government fails to service the loan, the Union Bank of Switzerland has the first call on the proceeds of the LNG Project.

Mr Speaker, this is a clear admission of guilt by the Prime Minister Peter O’Neill of a crime which he has committed by committing the State and the people of this country. One

man has signed the UBS loan unilaterally without prior approval of the Government and this is what I call bordered on fraudulent misrepresentation.

Furthermore, the Government has now seen the importance of constitutional compliance with Section 209 and try to slip in to make it look right by legitimising the crime that they have already committed. The mandatory requirement is to get Parliament approval for raising the revenue for the expenditure of public funds.

Through that statement the Government is now admitting that it did not comply with Section 209 of the *Constitution* when it raised an overseas loan of more than K3 billion without Parliament's approval.

**69/02**

Mr Speaker, this matter is sub judice, I think the Opposition Leader's friend, the Honourable Don Polye, is the initiator of the proceedings in court. The Opposition-led team also initiated proceedings, which is before the Ombudsman. These matters are sub judice and I propose that you don't entertain the Opposition Leader's attempt to dwell on a matter that is before the judiciary.

**Mr SPEAKER** – I will allow you to go ahead with your debate.

**Mr BELDEN NAMAHAH** – Mr Speaker, if it was sub judice why did you have it in your budget speech?

Mr Speaker, the entire loan arrangement is not in favour of the people of Papua New Guinea but rather is favour of the Oil Search. It is foolhardy that the O'Neill-Dion Government is now seeking Parliament's approval for the expenditure and for the interest payments of the UBS loan when in the first place it did not obtain approval from Parliament through the 2014 Budget, a supplementary budget or you could have created a UBS Act to be properly made and properly authorized by Parliament.

Mr Speaker, in any case, the damage has been done. A very expensive loan has been inappropriately and unlawfully obtained resulting in a widening budget deficit, a dangerously growing public debt, high inflation and a fast decline in value of our kina. It is indeed disaster for Papua New Guinea, the impact is beginning to show and it will peak in 2015 and onwards.

Mr Speaker, people continue to laugh and scream on the other side but they forget the implications of this kind of deals that we execute outside of the Parliamentary processes. The issue of integrity of governance and responsible leadership is a very serious and fundamental matter of national and leadership conscience.

What is a government without conscience and without integrity? What is a nation without national conscience? What is a leader without conscience and without empathy? How much further can we go on to rule through these lies and deception in this country?

Mr Speaker, the Prime Minister has gone on an unprecedented borrowing and spending spree with eye catching mega construction projects happening all over the country. It is a smart and wonderful political power play with the motivation that the Prime Minister upheld and adored by Papua New Guineans as heaven sent. That may be so, Mr Speaker, but what is the other side of the coin?

Mr Speaker, the national debt level has shot up to K19 billion, well past the national budget of K16 billion. The debt to GDP ratio has been breached, inflation has peaked, not at four per cent as claimed by the Government but it is at a high eight per cent and is expected to hit 10 per cent next year and onwards. The kina is sliding to its lowest levels against the major currencies of the world and continues to slide further.

Mr Speaker, it is an open secret that the Prime Minister has gone on these very dangerous borrowing and spending spree on the footing that the miraculous, prophetic Hela gas will be so rich that it will bring many bags full that the debt and deficit will be resolved immediately upon receipt of the LNG revenue. I must say, Mr Speaker, that this is a very dangerous and risky gamble.

The size of the LNG cake and the timing or receipt of revenue into the government's coffers cannot adequately arrest the situation we are placed in right now.

Mr Speaker, I must warn this Parliament that the LNG proceeds will be no greater than the revenue flow from the existing mineral and oil projects. It will simply be marginal and not a windfall as we have been misled and continue to be misled and made to believe.

Mr Speaker, the size of the LNG cake for the National Government is a mere 9.8 per cent. The State had an option to purchase 22.5 per cent. We went to Abu Dhabi and we borrowed K1.6 billion, only for the then Minister to come back and tell the people of this country that 3.1 per cent has been diluted so we are only financing 9.8 per cent.

**70/02**

We are only financing 19.4 percent in the last Budget to rescue the blowout of the 2013 Budget. The Government further mortgaged a further 22.6 percent of more than K600 million. We are now left with only 16.8 percent, Mr Speaker.

Mr Speaker, the total size of the PNG LNG cake for the State and LNG corridor landowners, and provincial governments as I alluded to earlier is 16.8 percent.

Mr Speaker, now, the O'Neill-Dion Government wishes to sell LNG landowner stakes in the LNG to the landowners to service its debt. And let me refer you all to the Budget speech of the Treasurer.

Mr Speaker, that reduction, the 2015 Budget deficit of around K2.3 billion or 4.4 percent of GDP will be more than offset by proceeds from the sale of equity in the LNG project to the landowners. Members of Parliament, tell me, if the landowners go out of this country into international financial institutions what guarantee is there, and the Governor of Southern Highlands Province should listen very carefully; because it will affect your people. Therefore, what guarantee is there that international financial institutions will give the money to the landowners to come back and buy shares from the Government? I thought that we already did that when we went to Abu Dhabi and borrowed K1.6 billion. We should then be giving to the landowners what is rightfully theirs.

Mr Speaker, at this juncture, I must raise awareness for the landowners and provincial governments of the five LNG corridor provinces to know the particulars of their shares.

Mr Speaker, the assertion by Government that the LNG revenue will start flowing into government coffers by 2016 is technically misleading. As for the Government, all dividends are mortgaged to the K3 billion UBS Loan. This means that UBS has the first call on all dividends paid to the Government of Papua New Guinea. As a result, there will not be any gain to National Budget and the economy of our country for at least until 2024.

Yes, you can say that, but I am telling that this is a fact. The Prime Minister himself announced that the total revenue to country for each 9.8 percent interest during the 30 years life of the project is a negligible K20 billion. This accounts to K1.5 billion in Budget support each year, so what is the big talk about LNG? You are only expecting K1.5 billion every year for the life span of this project. Therefore, this LNG is just a dream.

The reality is that, there is nothing spectacular about the PNG LNG Project. It is just like any of the existing extraction industry projects such as oil, gas, gold and copper in this country. The size of the benefit to the PNG economy is massive, Mr Speaker.

Whilst, the project is huge and the returns are huge the national gain is marginal and negligible. There will not be a windfall type gain and the hype that is going around about the magical transformation of the country is baseless.

The O'Neill-Dion Government will not set up the Sovereign Wealth Fund because the LNG dividends have already been mortgaged by the K3 billion UBS Loan. Therefore, the setting up of the Sovereign Wealth Fund is just a gimmick by the O'Neill-Dion Government.

Mr Speaker, the Opposition wants the Prime Minister to be honest and tell the people of this country that he has misread the future outlook of the economy and size of the timing of benefits from the LNG Project. As a result of which he has no other choice but to sell State-owned enterprises in order to manage the huge Budget deficit that he has single handedly created.

Mr Speaker, by selling State-owned assets the Prime Minister does not realise that he has now affected the citizens of this country.

**71/02**

Most of Papua New Guinea citizens are being forced to work in Telikom, PNG Power, and in Air Niugini, the Flight Attendants have been hired from Solomon Islands, Fiji and the Philippines. We have dropped out from more than 12 000 to 6 000 young Papua New Guineans and they will not find jobs because this Government has given the jobs to foreigners in the industry that we can participate meaningfully.

Mr Speaker, I call on all honourable representatives of our people to reject this Budget outright for complete lack of integrity and transparency as Government and for complete lack of integrity and transparency in the presentation of the 2015 National Budget, and indeed for the reasons outlined by the Opposition through the Shadow Treasurer, Honourable Don Polye and through the Shadow Planning Minister and Deputy Opposition Leader, Honourable Sam Basil.

There is simply no honesty and sincerity in this Budget. There is no equitable distribution of the nation's wealth in this Budget, there is no integrity in this Budget. This is a dictatorial budget and designed to further the Prime Minister's ego and power play.

Thank you Mr Speaker.

**Mr PETER O'NEILL** (Ialibu-Pangia – Prime Minister) – Thank you, Mr Speaker, for giving me the opportunity to say words in supporting the honourable Treasurer and of course

the honourable Ministers for Planning and Finance, respectively, other Ministers and of course the Government backbenchers who have been patiently supporting this Budget and listening to three Opposition Replies in one session. I think that is a record since I have been here in Parliament for 13 years. I think yesterday's Shadow Treasurer and today's Shadow Treasurer and of course the ongoing Leader of the Opposition had all made some eloquent interventions about the Budget.

Again, the interventions are much welcome, we appreciate criticism and constructive debate and I think as a Government, we cannot get everything right all the time. Sometimes, we make mistakes and of course we need to be told where we make mistakes so that we can correct it for the good of our country.

Mr Speaker, but today's Budget Reply is merely a practical sideshow, a grandstanding to the highest degree because the facts that they are providing are being dreamt about by the Opposition with no factual reference to any data or expert opinion on the status of the economy. I will give you some facts very shortly so be very patient because I sat in patience listening to all the rubbish that you have made. Let me explain to you in very simplest terms so that you may understand where the economic is and the real truth about where the debt stands so that you can from now on debate on facts.

Mr Speaker, some of these strategies that we are putting in the Budget are not new. They have been outlined by various Governments in the past; the Vision 2050, MTDS, Strategic Development Plan and all these plans are captured in this Budget. When we came into Government, we deliberately said that we are not going to revisit all these plans. We will do an Alotau Accord which will give us basis on which we can frame future budgets.

So when we started in 2012 and of course the former Treasurer knows very well and he should be given credit for some of those strategies. He should not be talking down the economy. I know he is angry, frustrated and hurt but we all get hurt like when Sir Somare sacked me from the Government, I sat on that side for four years but I was very constructive.

Mr Speaker, so I want to say that the strategy that we have put together, we have not deviated from it. When we said that we will run the deficit budget in 2013, we did that with 7.8 per cent deficit. In 2014, we said that we would run the 5.9 per cent budget and we are doing that now, and the outcomes from the end of the year will produce those results because of the amendments we are making in the Supplementary Budget.

Mr Speaker, we also said that in 2014, we will reduce further down to 4 per cent deficit so we are coming down stage by stage as we planned. And next year in 2016 in the following

year, we are going to come down to 2.5 per cent and from 2017 onwards, we will have a balanced budget and a surplus budget. We are going and performing to those expectations.

**72/02**

We have not changed, our priorities remain the same in health, education, infrastructure, law and order, making sure that our small businessmen and women and our economy continue to perform.

Mr Speaker, if anybody is to assess any economy there are world standards measurements that they use and those includes interest rates of performance of the economy in terms of growth of the economy.

Last year we projected that we would grow by five per cent this year but it is going over 8.4 percent. Why are saying that we are in recession? Why are you talking your country down? We should be very proud that the GDP is growing at 8.4 per cent this year and next year it will grow close to 16 per cent and that is a growth that is the envy of the world.

I just came from the APEC meeting and everybody is talking about Papua New Guinea and here we sit down and talk ourselves down all the time. If you have a difference with me that is fine, but talk about building our country together. If you want to challenge me in 2017, I welcome it, if people vote me out I will say thank you.

Mr Speaker, changes are happening as we speak. I know sometimes we have our political differences and we don't give credit to each other. I want to say that over the last few years even domestic credit, money being lend to PNG and the economy is increasing from K7 billion in 2010. It is in the papers, read it and these are not my figures, these are independent figures from Bank of Papua New Guinea. The domestic credit has gone up, in 2011 it was K7 billion, 2012 it was K8 billion, 2013 it was K10 billion, and in 2014 it went close to K11 billion. This means that the money supply is increasing in the country that is why more business cash is available.

PNG has excess liquidity of over K3 billion and that's why right now Banks can't lend. Now think before you talk so that we understand that these are the good figures about our economy.

Mr Speaker, in terms of debt which a favorite subject of my friends on the other side, again this information is sourced from the Bank of Papua New Guinea. In 2013 our total public debt was K11.8 billion, in 2014 it is expected to be K14.4 billion, so where did the

K19 billion come from? Who is giving these figures? Don't make it up in your head, listen and read.

*(Members interjecting)*

**Mr PETER O'NEILL** – I know that you are very passionate about the UBS Loan and I will explain it in a few minutes but the Bank of Papua New Guinea is the independent monitor of our economy and this is their report

Mr Speaker, in 2015 our debt is expected to be K14.2 billion. In fact, our debt to GDP is reducing from 35 per cent and this year to 27.8 per cent. No other country in the world has similar figures. I came back from Fiji over the weekend where they just introduced their budget and their debt to GDP ratio is close to 50 per cent, even in Japan and the US it is well over 100 per cent.

Mr Speaker, independent figures that are provided to us indicate to us that the economy is doing very well. I know that the new saddled Treasurer has a major interest in the UBS loan so let me explain about that. I have said these many times and he has taken this matter to the Court and the Ombudsman and he conspired with his wantoks to refer me in which I will answer as it is not an issue

*(Members Laughing)*

**Mr Don Polye** – Point of Order! The inference is very damaging. It is an independent state institution and constitutional office and the Prime Minister should not go below the belt.

*(Laughter in the Chamber)*

**Mr Don Polye** – Just do the mathematics, add the K3 billion onto the K14 billion and that will tell you the level of debt.

**Mr SPEAKER** – Your Point of Order is in Order! Please continue Prime Minister.

**Mr PETER O'NEILL** – Thank you, Mr Speaker. I know the truth and he knows the truth so let's leave it at that.



73/02

Mr Speaker, now on UBS issue and why we were determined to making sure that we return our Oil Search shares when it was owned by the Arabs. The honourable shadow Treasurer was a Minister in the Government then when we borrowed money from the Arabs. The former Forest Minister was also part of that Government and now the Leader of Opposition. Why didn't both of you complain at that time when all of us were involved?

*(Opposition Leader interjecting)*

**Mr Belden Namah** – Point of Order! The K1.5 billion the Prime Minister is referring to was done by himself and the former Minister for IPBC and he has gone along the same line and should be explaining about the K3 billion UBS loan.

**Mr SPEAKER** – Leader of Opposition, resume your seat and allow the Prime Minister to continue his debate.

**Mr PETER O'NEILL** – Thank you, Mr Speaker. When he debated I didn't interject so please allow me to respond to some of the issues that you have raised. The main issue was when we mortgaged the shares of Oil Search to borrow the money so we can buy the shares in the LNG project of 19 per cent and that facilitated for the project. And that's why all these growth that we are talking about has come about and it's not because of anything else, because LNG brought about construction and any revenues coming in now is as a result of that the growth happening.

We went into this agreement that we will always buy back our shares so our Government in our wisdom said, no, we must continue to own these shares because it's the biggest employer, tax payer and holder of all our petroleum licenses in the country. Now how can we lose our birthright when our people are demanding that we must own more resources ourselves. They don't give it to you for free so you must borrow money to buy those shares. That's why when the terms of the Arabs expired, we started negotiating with the banks and Cabinet instructed Treasury and Bank of PNG to independently go and negotiate with all the leading Banks in the world. Where do we borrow money, not from private equity but from the banks and these are multinational banks.

Now the Leader of Opposition is talking about the law when we borrowed from the Arabs, World Bank or ADB for that matter, it doesn't come to Parliament but comes as Budget process, think before talking. You tell me in our 40 years of independence when was one loan been mandated and approved by Parliament, it's only through Budget. The business of Government is to borrow money and make sure that it carries out its programs but first must get approval from the Parliament. And that was the advised from the State Solicitor, it's not my own doing. Now, I have been referred to the leadership tribunal for that and so I will answer for it. Unlike the Leader of Opposition who loves quoting sections after another, I will go and defend myself in court and let that be.

Mr Speaker, the point here is this, when the Arabs decided that they will not sell us the shares back we went out and bought shares directly from Oil Search at lower prices. We were prepared to pay the Arabs \$8.50 and paid the oil search \$8.20. Now it's not all about dividend but capital appreciation. So, let's talk sense and facts before we point fingers and talk down the economy and each other.

Mr Speaker, this loan is not in the Government books but it's parked with the SOEs and we are now in the process of transferring that to our National Petroleum Company. The National Petroleum Company and Petromin are the vehicles this Government will use to hold all our mineral and petroleum interest. And that's what we are doing and it's not out of the blue.

The Arabs loan was managed and owned by IPBC and when they decided to take on the shares we decided that we will go directly and buy and so, Mr Speaker, history will judge me whether I have made the right decision or not. And I will pay that price in 2017 when I face the people but please let's debate this issue with facts.

We know that many of our issues are with Constitutional Officers and before the courts so let them decide and stop trying to influence and intimidate them by making public outrageous statements saying that they are not doing their jobs. I know you are hungry to get to power but wait till 2017.

Mr Speaker, going back to the Budget, let me say this. We are spending record amounts of money on infrastructure alone which is K2.7 billion. And that's a huge investment and people are talking about South Pacific Games and investments in Port Moresby and Lae but Mr Speaker, Port Moresby has got almost 1 million people and 10 per cent of our population lives here. Are you saying that we forget about them? That's the place where you and I come and do businesses and it's the reflection of our image to the outside

world. Come on Mr Speaker, the SP Games, I didn't inherit it. In fact, it worries me much when I allocate funds in there and it's not K1.9 billion or K2 billion.

**74/02**

It is K1.2 billion as we stated to this House last year when we presented the Budget and that is the same funding that is going and the contractors that are doing the job are really highly reputable companies from New Zealand and other countries and employing thousands of Papua New Guineans.

It is easy for us to come and reflect on them here and point fingers but let us do it with facts. We can hold their government to account and that is not a big problem but let us do it with facts so that we are not pushing our investors out of the country.

Mr Speaker, one thing that this country needs most is the investors. No country has ever developed without investors coming in and helping them transform their country. We can have all the resources but what will happen in the future is that if we are not careful we will be like one of the African countries.

For over 200 years of colonisation, they have depleted all the resources and they have nothing, instead they have an increase in population, hunger and poverty. This is not where we want to take our country to. We are now investing in infrastructure throughout the country and we have not forgotten many of the towns and major roads in the country.

We are investing substantial amount of money and I know some of the Members are concerned because the amounts may be small but that is the Government of Papua New Guinea's contribution. I will give an example. The Highlands Highway; is been allocated over K300 million for rehabilitation of different sections of the highway. We are specific as to certain sections which are critical, like the Simbu section of the highway.

In the Kassam and Daulo section we are deliberately intervening in those sections and of course in and out of Lae. These are critical areas where there is heavy traffic that we must accommodate. We just cannot bypass them and think that somebody else will come and fix it for us. In relation to the Highlands Highway we are now negotiating with ADB for additional concessional loan.

Mr Speaker, what we are borrowing outside of the Budget is concessional loans only, less 2 per cent only which are paid over 25-30 years. If people are offering us concessional loans we will be the only country in the world refusing to accept it. But we must invest it in infrastructure where it will serve our people.

So that is why ADB is negotiating with our government and it's the first time that they are willing to fund the Highlands highway. It is about US\$500 million and that will entirely go into funding that. On the Sepik highway, East and West New Britain, we are negotiating with JICA and this came about during the visit by the Prime Minister of Japan.

He announced a 80 billion Yen allocation to PNG for grants and concessional funding and for our projects and this will go towards funding for those roads. We are therefore working together with many of our development partners in addressing those.

And it is not the Government's money alone to be used to build some of the major infrastructure. We are capturing as many as possible and we have done so by also giving flexibility in the district and provincial service improvement program.

Mr Speaker, in doing so we are hoping that you will put your money into the infrastructure in the district because we are taking the responsibility for the districts' housing for teachers and health workers including classrooms and health centres. This is being done through the additional K5 million that we are putting to all districts.

That is K450 million and it is for the first time this year we are allocating K3.7 billion to the provinces and the districts. These are massive investments that we are making and it is being done on top of the recurrent budget. This is the budget that is being given directly to the provinces and the districts.

As you can see in terms of allocation of Government funds, we are trying to be as fair as possible and that some provinces have bigger population than others. The Planning Department and the Minister are leading the identification process and that will determine the population in each district so that we can allocate resources fairly in the future.

Our job is to encourage our people to register and make sure that we get the right numbers. Based on these figures we can allocate resources for support for families, health, education and other government support that we give. This will allow for us to avoid guessing how much should be allocated and that there is a fair distribution.

**75/02**

**Mr SPEAKER** – Honourable Prime Minister, your time has expired.

**Mr PETER O'NEILL** – Mr Speaker, to conclude, we are also investing vast sums of money in Health, about K1.8 billion exceeding the National Health Plan estimate of K1.4. For Education is K1.9 billion; we are directly funding teachers' colleges, technical colleges,

Schools of Excellence, universities and all the other institutions because we have one million extra kids in the primary schools and lower levels. They will fit into some of these schools in the future and we must give them skills so that they can get good jobs in the future. But our important job in this Parliament is to give confidence to our country and not negativity and accusations. This will enable us to build our economy and provide more job opportunities for our people. That is our responsibility.

I thank the Members of Parliament for their great support they have given today.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

## **APPROPRIATION (NATIONAL PARLIAMENT 2015 BUDGET) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

## **APPROPRIATION (JUDICIARY SERVICES 2015 BUDGET) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –  
That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

## **SUPPLEMENTARY (APPROPRIATION) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –  
That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

**76/02**

### **CUSTOMS TARIFF (2015 BUDGET) (AMENDMENT) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.



## MESSAGE FROM THE GOVERNOR-GENERAL

A message from His Excellency the Governor-General dated 18 November 2014 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

### Third Reading

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

## EXCISE TARIFF (2015 BUDGET) (AMENDMENT) BILL 2014

### Second Reading

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from His Excellency the Governor-General dated 18 November 2014 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

#### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

### **GOODS AND SERVICES TAX (2015 BUDGET) (AMENDMENT) BILL 2014**

#### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from His Excellency the Governor-General dated 18 November 2014 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

### **INCOME TAX (2015 BUDGET) (AMENDMENT) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from His Excellency the Governor-General dated 18 November 2014 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

### **INTER-GOVERNMENT RELATIONS (FUNCTIONS AND FUNDING) (2015 BUDGET) (AMENDMENT) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

**77/02**

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

## **STAMP DUTIES (2015 BUDGET) (AMENDMENT) BILL 2014**

### **Second Reading**

Debate resumed from 18 November 2014 (see page...).

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a second time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a second time – agreed to.

Bill read a second time.

### **MESSAGE FROM THE GOVERNOR-GENERAL**

A message from His Excellency the Governor-General dated 18 November 2014 was announced recommending the imposition of taxation in accordance with *Section 210* of the *Constitution* insofar as the Bill relates to and provides for such imposition.

### **Third Reading**

Leave granted to move the third reading forthwith.

Motion (by **Mr Patrick Pruaitch**) proposed –

That the Bill be now read a third time.

Motion – That the question be now put – agreed to.

Motion – That the Bill be now read a third time – agreed to.

Bill read a third time.

### **ADJOURNMENT**

Motion (by **Mr James Marape**) agreed to –

That the Parliament do now adjourn.

The Parliament adjourned at 7.30 p.m..

## SECOND DAY

Tuesday 25 November 2014

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